★ Action To Take In Today's Markets ★

The MAGAZINE of WALL STREET
and BUSINESS ANALYST

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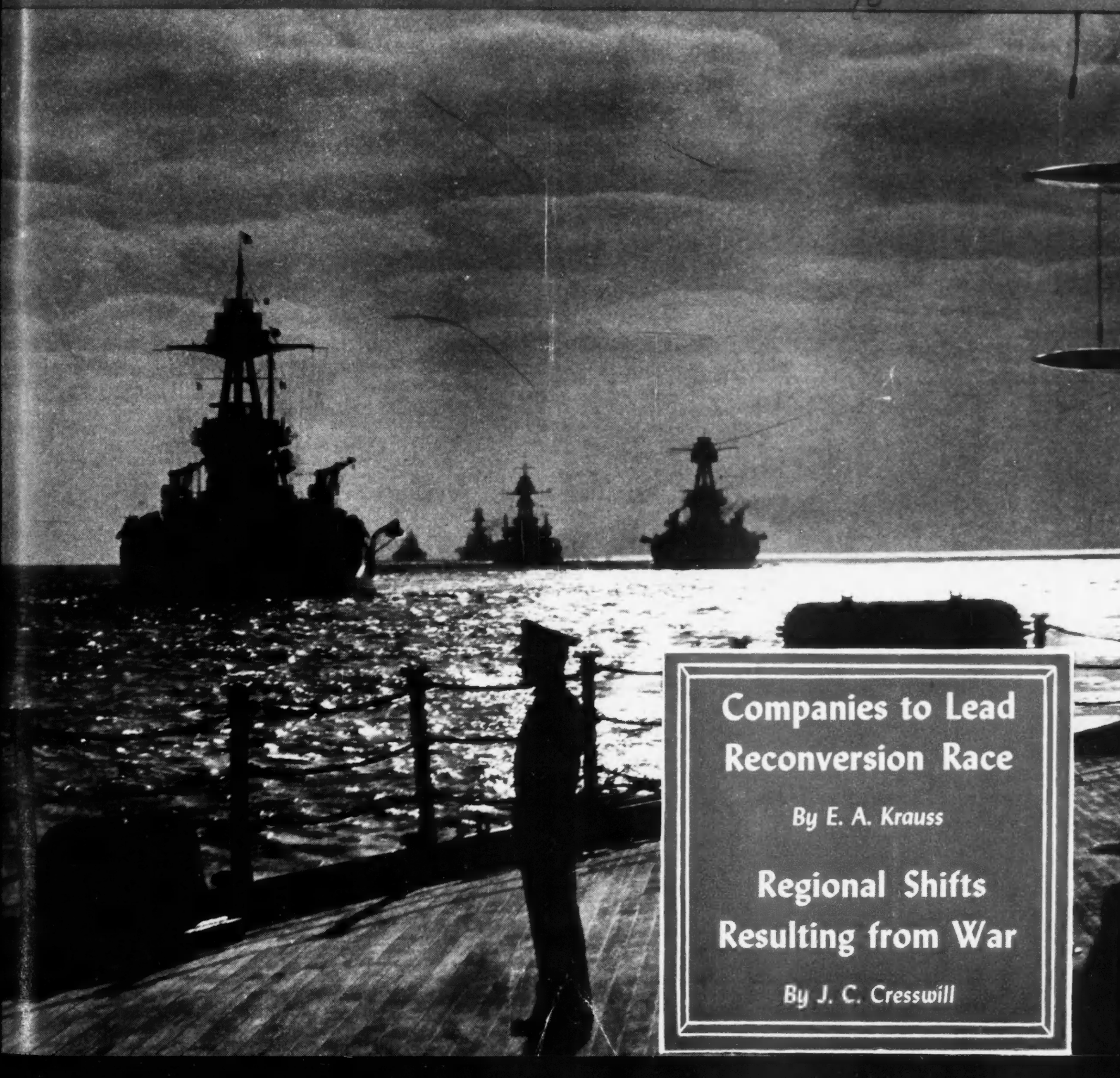

Companies to Lead Reconversion Race

By E. A. Krauss

Regional Shifts Resulting from War

By J. C. Cresswill

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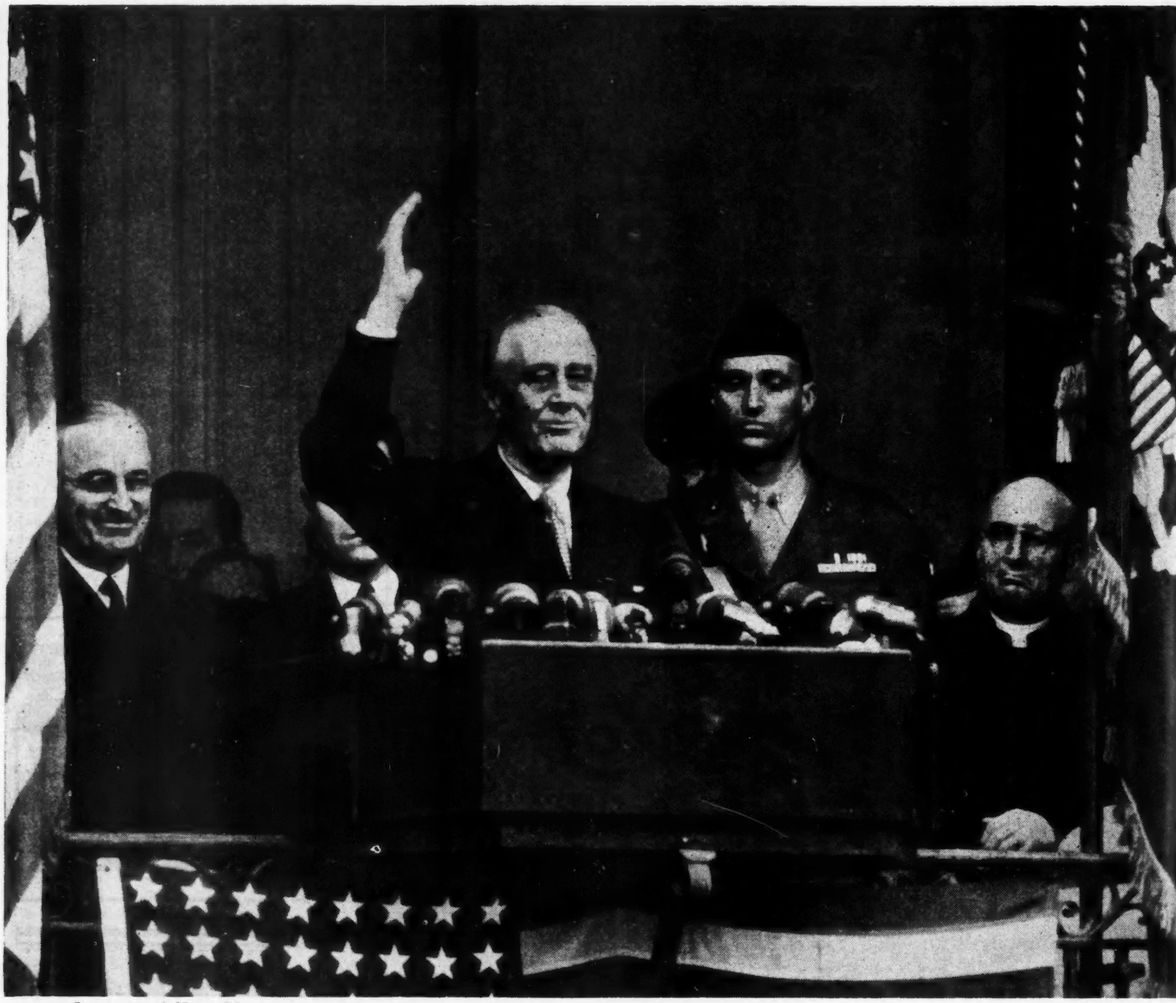


International News Photo
Fourth Inauguration of Franklin Delano Roosevelt

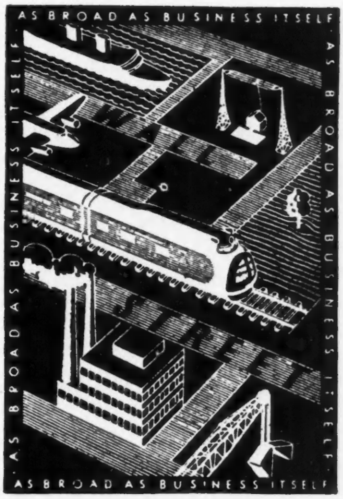
Thou, too, sail on, O Ship of State!
Sail on, O UNION, strong and great!
Humanity with all its fears,
With all the hopes of future years,
Is hanging breathless on thy fate!

In spite of rock and tempest's roar,
In spite of false lights on the shore,
Sail on, nor fear to breast the sea!
Our hearts, our hopes, are all with thee.

—*"The Building of the Ship."*
By Henry Wadsworth Longfellow

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher* E. A. KRAUSS, *Managing Editor*



The Trend of Events

HAS RECONVERSION BEGUN? . . . Unofficial VE-Day seems to have arrived for American industry. That may well be the significance of scattered announcements of production cutbacks, notably in the aircraft industry. The Army Air Forces have announced a 15% cutback in aircraft production, by weight rather than by number, in order to adapt procurement of aircraft to changed strategic and tactical requirements, in other words to the needs of the war against Japan. It is a hint of what other industries may face very shortly. Indications are that there will be more cutbacks before official VE-Day, and not all of these will be confined to the aircraft industry.

Simultaneously, the prospective scope of reconversion has latterly been broadened. It is now officially estimated that forthcoming reductions in munitions procurement will double previous estimates. On basis of latest information, overall cutbacks during the first quarter after VE-Day will be 24% instead of the earlier 12% figure. After six months, they will have reached 35% contrasting with a previous 20% estimate. After one year, the new cutback estimate is 50% compared with prior expectation of about 35%. Some consider even the new estimates conservative.

In the light of this revision, the conclusion is justified that reconversion will probably be considerably speedier than first thought likely. This is bound to create new problems which — as we know — increase in direct proportion to reconversion speed. They hinge primarily on employment, that is the redistribution of workers into other war jobs or essential work.

War agencies have adopted a policy of announcing cutbacks individually rather than on a national and overall basis, believing that the former method would be less likely to prompt war workers generally to quit their present occupations in quest for peace jobs. This policy, it is understood, has not been well received and the question of adopting the second method may be reconsidered. It would not be a bad idea.

After all, knowledge of cutbacks is spreading rapidly; a veil of semi-secrecy would only foster rumors, often exaggerated, thus quite likely have the opposite effect from that intended.

There may of course be other reasons for the current policy in announcing cutbacks. A good many VE-Day decisions probably still hang in mid-air in most war agencies; there is still no complete blueprint of what will happen when cutbacks increase. This is but natural, for much planning must necessarily remain sketchy until revised war needs are fully known. This may take some time; meanwhile reconversion steps are taken piecemeal but the fact remains that a start has been made. To all intents and purposes, the change-over has begun.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS : 1907 — *"Over Thirty-Eight Years of Service"* — 1945

SPEED TAX REFUNDS . . . With transition to a one-war economy virtually in its initial stage, the question of limited tax relief during the forthcoming interim period assumes immediate importance. A program which for the first time contemplates tax relief for corporations during the current calendar year has been presented to the Joint Tax Committee of Congress. It offers the first official guidepost of the direction in which congressional taxmakers are moving.

As a precursor of future measures towards scaling down industry's heavy war-time tax burden, this preliminary program is to be welcomed, however modest its scope and cautious its approach. Under the circumstances, it could hardly be otherwise. But in view of the seeming imminence of rapidly broadening reconversion activities, prompt action is to be commended.

The program provides that corporations be allowed to cash postwar excess profits tax credit bonds shortly after the end of the war in Europe; this would have the effect of strengthening financial positions, if modestly, for the reconversion task ahead. It further provides for *current* credits of 10% of EPT payments; the practical effect would be a reduction in the EPT rate from 95% to 85%, where top brackets apply. The purpose behind both these suggestions is to make promptly available past EPT credit due, and to keep the use of such credit current thereafter. For many businesses, especially those pinched for working funds, such relief might be important. Small business would be benefitted by the additional proposal that the specific $10,000 EPT exemption be increased to $25,000. This would particularly help new businesses organized during the transition.

While only a starter that ultimately must be broadened into more effective tax relief if reconversion is to run smoothly, these measures are definitely helpful and their enactment should not be unduly delayed. The end of the European war can be expected to stir wide sentiment for tax changes. This is but natural, for business would like to know what to expect. The sooner it knows, the better.

DECENTRALIZING INDUSTRY . . . Decentralization of manufacturing facilities as a result of war experience will feature postwar programs of more than one large corporation. By locating plants in smaller communities, it has been found that employment can be better stabilized and living standards of workers improved, with consequent benefit to production. The idea is not new but war and the attendant necessity of frequently assembling great masses of workers at one spot with resultant problems of housing, supply, transportation and other disadvantages has tended to focus renewed attention on the benefits of decentralization. It is plain that mass production as now developed has reached a stage where its social consequences are enormous and require careful and immediate attention. This is especially true of highly diversified and closely integrated manufacturing enterprises, many of which have come to dominate the economic life of whole towns, cities or areas.

Far-sighted management realizes that it is high time for careful study how to rearrange the industrial processes in such a way as to preserve a maximum of their productive efficiency and yet remove as much as possible their attendant disadvantages. Somehow the worker must be prevented from becoming virtually a part of the machine that he operates. Both working and living conditions should be such as to minimize the danger of his being submerged as an individual. If that can be done, and there is no reason why not, not only the worker but his employer and the nation at large stands to benefit.

Henry Ford has long been an advocate of industrial decentralization and what he has done along such lines has worked out well. Two other giant corporations, General Motors and General Electric, now let it be known that they are giving much thought to this matter. It would not surprise if others were to follow. Concentration of manufacturing processes, up to a certain limit, makes for efficiency; if carried too far, efficiency is bound to decline. That lesson probably was brought home to a good many corporations during the war period.

THE DEBT REFUNDING WAVE . . . Far from having run its course, the wave of corporate debt refunding appears to be still mounting. After conclusion of the forthcoming Seventh War Loan Drive, operations of this nature are likely to be more numerous than ever. Behind the refunding urge is of course the present exceptionally low level of interest rates for high-grade bonds affording an excellent opportunity for reduction of fixed charges on bonded debt.

Reduction of fixed charges, especially when attended by part payment of debt principal, obviously fortifies a corporation against bad times. One of the consequences of the refunding movement therefore should be fewer defaults during the next business recession, at least among the well-established concerns. By the same token, securities in general should become safer investment media, for reduced fixed charges work to the benefit of common and preferred stockholders as well.

But there is another side to it. Low-coupon refundings are not all "gravy" to all investors. They pay for more safety in bond investment by accepting a lower yield. They may profit as a stockholder, indirectly, and lose as a bondholder. It constitutes a paradox perhaps not generally recognized at the moment.

Holders of savings bank deposits know how the current low interest level is affecting them; holders of life insurance policies may soon find out if they have not already done so. A straw in the wind was the recent statement by the president of a leading life insurance company who bluntly told investment bankers that if they thought they could sell his company long-term industrial bonds at current low interest rates, they were very much mistaken. Coming from the head of a concern with an investment account of over $2 billion, the statement is worthy of attention.

Fact is that insurance companies are increasingly forced into common stock investments in quest of better returns for policy holders than approved bonds now afford. It is a trend worth watching.

As I See It!

BY CHARLES BENEDICT

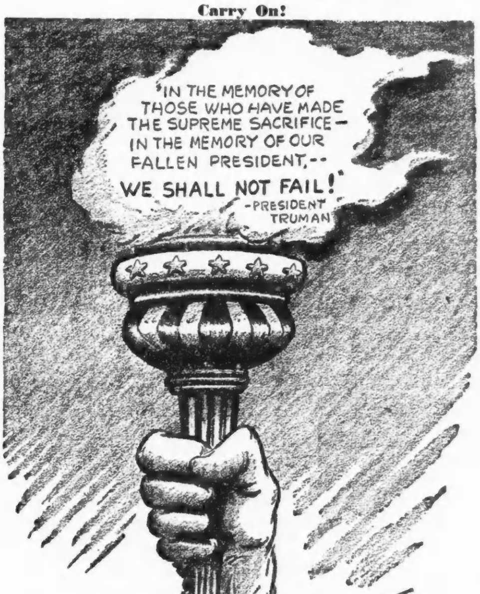
LOOKING FORWARD

REGARDLESS of differences, today all men join in recognition of the genius, noble ideals and spiritual leadership of Franklin Delano Roosevelt. He was the great man of this age. So great that the whole world mourned his passing with profound feeling. There is no man living today who occupies a similar position in the hearts of men because of all the great leaders, Franklin Roosevelt alone viewed the world objectively — saw all men as neighbors, each entitled to his place in the sun and the shade of his vine and fig tree. Free men — in a free world.

How close the President was to accomplishing his great peace aims before he left us we cannot say, but we do know that the realization of his goal is more certain today than it has ever been. Everywhere men will crusade for its realization, for his spirit of good will will continue to thrill men's hearts and inspire them to great accomplishment.

It will be hard to fill his place, but his work can go on nevertheless, for it is my belief that, given the inspiration and urge, men of good will can find the right solution to the most complicated problems. President Truman seems to be such a man. His forthright speech was very heartening indeed, and the acts that followed were so judicious as to gain the sympathy and cooperation of the country. He achieved a notable victory, too, when Stalin agreed to send Molotoff to the San Francisco Conference — while his decision to work closely with Congress pleased the people everywhere, especially when it became evident that there was to be no revision in the legislation already pending.

Carry On!



N. Y. World-Telegram

For those who are thinking of turning the clock back, it is well to remember that the Roosevelt Administration has been in power for twelve years, and was re-elected for another four, backed by the great majority of the people. An attempt at a drastic change of policy is unlikely because it would be extremely unpopular. It is clear that President Truman does not intend to ignore the facts, recognizing that a reversal would call for abrogation of laws already on the statute books — something that is unthinkable at this time.

This viewpoint is undoubtedly shared by our law makers. Anything else would be unrealistic, for the people at home are certain to be backed up by the great new political power of our returning fighting men, and Congress will be thinking of this veteran vote.

There has been a great deal of wishful thinking regarding changes in the administration, too. What President Truman intends to do about the Cabinet and other important posts remains to be seen. But whatever changes he makes will be gradual. We can count on a middle-of-the-road policy as far as government administrators are concerned. It will not be difficult for President Truman to modify any drastic New Deal ideas. In the first place this group has only been very loosely organized, and besides, President Roosevelt has, in the past year or more, been striking a balance between the radical and conservative forces.

In the foreign field — from what he has already done, it is unlikely that he will disturb basic plans in our relations with other governments. He apparently ignored the suggestion that he send James F. Byrnes to represent him at the San Francisco Conference, and his objections were soundly conceived. Nothing would have been more destructive, as it would have nullified any efforts of Secretary of State Stettinius and the rest of the American delegation.

As far as the President's insistence on carrying out the terms of the Bretton Woods Conference is concerned, it will not, I believe, meet the expected opposition if a compromise is reached regarding those who will operate the fund, since this, in my opinion, was the basic reason for the opposition.

As a matter of fact, no really important change in administrative policy (*Continued on page* 116)

Action To Take In Today's Markets

There has been evidence of "ideological emotionalism" in some of the recent active buying of common stocks, and the wisdom of its timing in this three-year-old bull market is open to no little question. We continue to advise a sensibly constructive, but conservatively selective, investment policy.

BY A. T. MILLER

THE market had been edging up, but on moderate volume, for about three weeks prior to the sudden and unexpected change in the presidency on April 12. Whether it was on its way to new highs in the averages, in any event, is a question that can never be answered. Since April 12, all stock price averages have advanced sharply — most of them to new bull market highs — on greatly expanded trading activity. A tendency to celebrate the great victories in Europe has no doubt had some bullish influence, but it seems evident that this has not been the major new stimulus. The new factor in investment sentiment is President Truman.

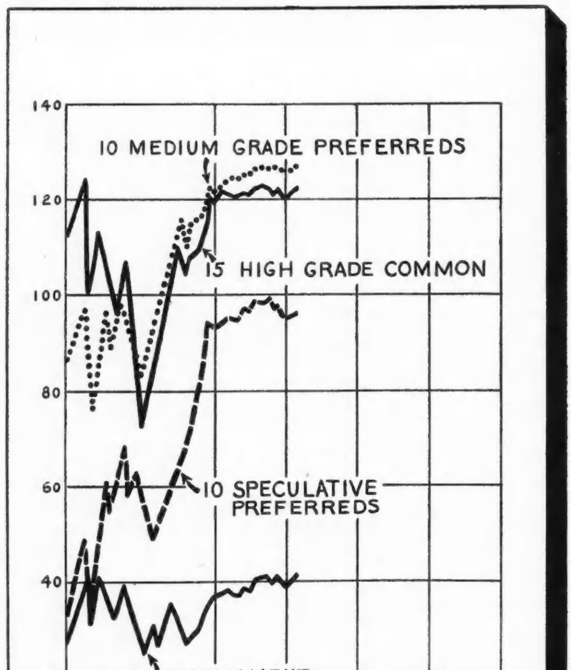
The first reaction of conservative-minded people was that we can now expect a less "liberal" government, and one more "friendly" to business. Brokers report that numbers of well-to-do individuals, long out of the market, have now become interested in common stocks. Checking with this, the leadership on the recent phase of advance has come mainly from prominent, "old line" stocks. At the end of last week our index of 100 low-price stocks had not surpassed its previous high of early March — the first time it had lagged in such fashion in a strong and active market — but the index of 100 high-price stocks, like the Dow industrial average, was in new high ground by a clear-cut margin.

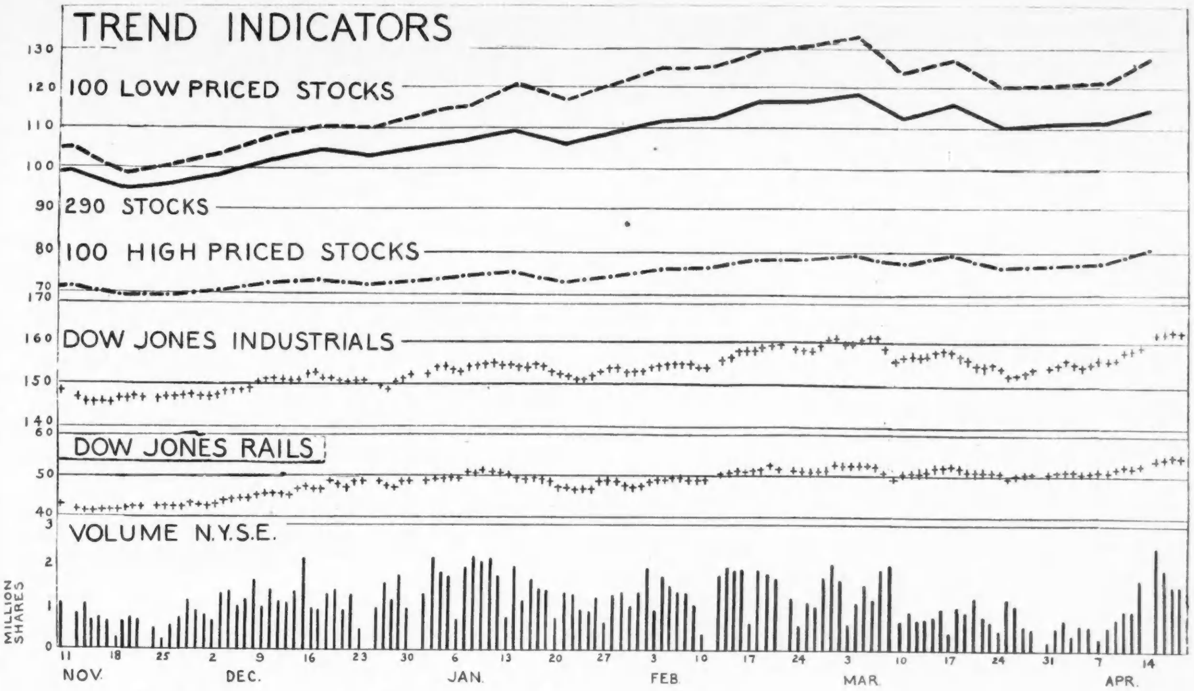
Emotionalism is not confined to odd-lot buyers. Where political opinions — and prejudices — are concerned, "big money" people, or some of them, have their share of it: which is one reason why their batting average in forecasting political trends and tendencies, over the past decade or so, has not been very high. Clearly, there has been some emotional buying of stocks, by no means confined alone to speculative utility holding company issues. While we would prefer, on general principles, to give the benefit of any doubt to a bull market — and, so far as the technical evidence goes, this is still a bull market — nevertheless this recent performance raises some questions.

To begin with, one can concede that the technical "odds" suggest probability of further advance in the averages — and yet be far from confident that the present market level is an opportune one for general bullishness by investors concerned with the longer swings. The bull market will be almost exactly three years old when you read this analysis. Money now coming into the market — whether or not from "big" people — indubitably can't be as "smart" as money which came in three years ago, or two years ago, or one year ago.

Percentagewise, there is a law of diminishing returns in bull markets — which sensible investors will not ignore — and so far this one has conformed to it. It is hard to resist "crowd sentiment," easy to assume, or hope, that the upside "penetrations" of previous supply levels in the averages will be followed by gains both broad enough and general enough for "easy pickings." Not as a bearish argument — for we are not bearish — but merely for the sake of a rational investment perspective, we believe it is pertinent to point out that each additional "leg" of the bull market since the early summer of 1943 has proved considerably less vigorous — and more selective — than the first "leg."

From the low of late April, 1942, to the 1943 high, the total value of all stocks listed on the New York Stock Exchange increased about 56 per cent. Over the next year, from the 1943 high to the summer, 1944, high, the increase was 8.6 per cent. When the latter high was eventually topped, the additional rise to the latest point for which composite figures are available was about 12 per cent. Otherwise expressed, roughly 63 per cent of the total advance to date was scored in thirteen months





prior to June, 1943, and 37 per cent in nearly two years thereafter.

This publication's weekly index of 290 stocks advanced 102 per cent on the first "leg," 12 per cent on the second, 19 per cent on the third up through last week. What about low-price stocks? The gain for our index of 100 low-price stocks was 180 per cent on the first "leg," 22 per cent on the second, 24 per cent on the third up to the most recent high point. Here again — as more common sense should tell one — "the pickings" don't, and and can't, get easier the higher the market goes.

Perhaps the recent buying is "good" buying. Time alone will tell, and we're not too sure. But this we do know: it is (1) buying after a three-year-old major advance has already been recorded; (2) it has a very apparent element of "ideological emotionalism" in it; and (3) it makes its belated appearance when we can't be far from some far-reaching adjustments — for a time of inevitably deflationary nature — in our whole economy as war production is cut back after victory in Europe. The shake-down may well be considerably more severe than the Army and Navy are talking about for public consumption. It *could* be more severe than the stock market probably is prepared for in the event of a surprisingly early end of the Jap war. We cite the latter not as a prediction but simply as a contingency which is sufficiently possible to suggest that prudent people ought to keep it in mind.

And now we come to the final question, in the political sphere. We think it is decidedly an open question whether the fact that Mr. Truman is President makes stocks a better buy now than they were a month ago. Mr. Truman is off to a good start, and this publication wishes him well. But any man assuming the office in these circumstances would have a minimum of opposition to contend with — initially. Also we note that Mr. Truman's actions so far seem about equally acceptable to both the liberal and conservative sections of the press — and that can't last, for in time somebody is going to be disappointed.

We don't doubt that Mr. Truman's personal economic and political philosophy is "moderately conservative," and that he is more "at home" with the Southern conservatives of Congress than with the New Deal section of Washington. But that does not necessarily imply any significant changes in the general outline of Administration policy as heretofore defined. Indeed, Mr. Truman has plainly said he will endeavor to carry out the Roosevelt foreign and domestic policies to which he committed himself in the election campaign. From a political viewpoint — assuming he will seek nomination in 1948 — one must wonder how any other course could be expected. For the Southern conservatives, however influential in Congress, don't carry national elections. In a presidential race their Party is sunk without the northern liberal-labor vote — and Mr. Truman is a smart enough politician to know it.

Now it could reasonably be argued that continuation of past policies is OK for the bull market, but that is not the premise of the recent active buying. As we get it, the premise is more or less of a "turn to the right" at Washington. Some would say that was already a fact before Mr. Truman became President. All we say is that a significant change in policy, one way or the other, is not yet indicated.

For all the reasons cited, we think this is a good time not to get too far out on the limb in the market. Some stocks are still attractive, many are not. Elsewhere in our issues we shall continue to offer conscientious guidance on both types to aid readers in carrying out a sensibly constructive, conservatively selective investment policy.

— Monday, April 23.

An airview of the main plant of Boeing Aircraft in Seattle, Wash.

Regional Shifts In Our Economy Resulting from War

BY J. C. CRESSWILL

THE unprecedented scope of our war effort has caused major shifts in the industrial pattern of the country that are bound to affect business and living conditions in entire regions in the postwar era. New industrial empires have been created, and old frontiers have been pushed into new territories which are determined to hold on to their war-won economic gains.

Texas and California, for instance, once predominantly agricultural, are emerging as major centers of postwar industry. While they will have to face heavy competition from the established regions North and East, they are ready and willing to take up the challenge. Both in the deep South and the Far West, the dream has been new industry. War has given a touch of reality to this dream, and these new industrial regions are resolute in their insistence that the momentum of war-time industrialization shall not die with the war itself. With approaching reconversion and transition to a peacetime economy, this question has become a live one.

A glance at the nation's production map shows that greatest regional changes have occurred in the Pacific and Mid-Atlantic areas, the former having increased, the latter decreased in their share of the nation's total of industrial activity. The Pacific area embracing California, Oregon and Washington contributed about 6.5% of industrial output in 1939. By last year, this area had received about 13.4% of all arms contracts, or more than double its prewar share. This concentration of war business has naturally exercised an enormous influence on the business life of this whole region, for income payments there rose from 9.6% in 1939 to 12.1% of the national total, and retail sales from 10% to 12%.

Across the continent, the three states New York, Pennsylvania and New Jersey together suffered the greatest relative loss since 1939. This Mid-Atlantic region contributed about 30% of all national manufacture in 1939. In Mid-1944, it had received only about 23% of all arms contracts. Its share of national income payments during this period fell from 29.7% to 25.3%, and that of retail sales from 24.5% to 22% of the 1943 national total.

These shifts in relative business activity have created new regional concentrations that will make for possibly grave dislocations in the reconversion period. To the business man planning ahead they are quite important, for he may have to set up new regional sales quotas and obtain new distributive outlets to make full utilization of changes in regional population and buying power. He cannot escape the fact that significant shifts in the geographic distribution of the American people and their economic activity during the war years have been accompanied by unprecedented changes in industrial locations, migrations of several million people and broad shifts in the potentialities of various market areas.

To illustrate this with actual figures: The overall shift from areas of relative loss to those of relative gain in economic importance has affected two to five per cent of our total economic activity.

This may not seem much but on basis of last year's national production, it amounts to anywhere from $4 to $10 billion of goods produced, the larger figure being almost 12% of 1937 gross national income. Another example: The net shift in civilian population from states which have experienced a relative loss to those which enjoyed a relative gain represents about 2% of our total population or some 2.5 million persons. The net shift in income payments, on the other hand, comes to nearly 5% of the national total or more than $7 billion, quite a respectable sum by any standard when viewed in terms of consumer spending potentials.

Shifting Center of Gravity

The upshot of all these changes was that the center of gravity of our economic life has shifted markedly westward and southward. This is clearly indicated by the dramatic rise in relative economic importance of the Pacific, the South-Atlantic and the East-South-Central regions, and by the decline of the populous Mid-Atlantic regions. On the whole, though not in every instance, these shifts represent the acceleration of long-term trends. The implication is that there is hardly any question about their permanency, despite the likelihood of postwar reverse changes under certain conditions. Regardless of the latter, the pendulum is hardly likely to swing back completely; regional interests are strongly opposed to any possible moves that may undo the geographical diffusion of the American industrial plant that occurred during the war years.

It is easy to see why the war-created production centers will go all out in trying to retain their newly-won economic stature. Into these areas, the Government has poured nearly 20% of all Federal monies spent for new plants and machinery. Raw materials resources have been tapped and developed, and new natural resources discovered. Worker populations have grown enormously and for the most part, the newcomers intend to stay in their new locations if possible. The postwar world will find both the South and the Far West equipped with plants, materials and labor to give these regions new potency in their fight for markets. This potency, we may rest assured, will not be given up willingly. Pressure to retain and expand economic gains is only natural. Appetites have been whetted by the war boom bonanza leading to forceful expansion in virtually every field; local populations and businessmen will fight to hold on, or do even better in the future. Nevertheless, it is likely to be an uphill fight; for there are numerous economic, political and human uncertainties.

Among all the states that have gained from the war effort, two — Texas and California — are most likely to retain a large part of their economic increment; they are virtually certain to develop into new centers for peace-time production. Let's see along which lines development has been most promising.

Texas, for instance, bids fair to become a center of the chemical industry. It has petroleum, natural gas, potash, sulphur, limestone, salt, cotton and pulp timber in large quantities. Thus it has all the materials for exploiting the latest progress made in petroleum chemistry, for manufacture of pulp and paper, for rayon, glass, and many plastics and pharmaceuticals. The war has greatly aided this prospect by giving Texas a concentration of important plants in these and other fields. Private industry as well as the Government has put much money into high-octane gasoline plants, output of which now goes chiefly to the military services. After the war, the demand for improved fuel for automobiles and expanding civilian aviation should provide outlets.

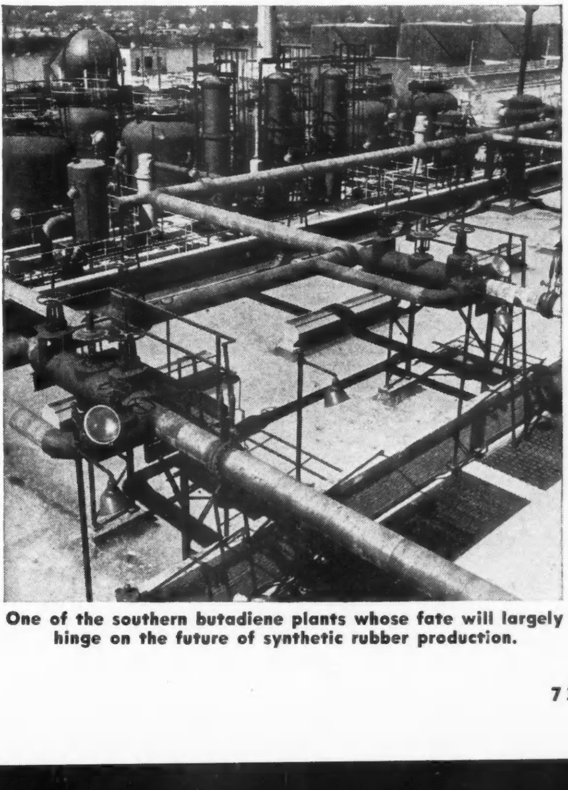
Also, much of the new synthetic rubber industry is located in Texas, thus any postwar continuation of production should find Texas sharing heavily. The outlook however is complicated by political uncertainties, especially in the tariff field, and official plant disposal policies. Texas also has big magnesium plants; since they are low-cost producers, they have a good chance to hold their own in postwar competition.

Outside of the field of petroleum chemistry and metallurgy, the war brought Texas large new facilities for building machinery and equipment. Since these plants offer no serious reconversion program, they can turn almost immediately — when war demands cease — to the manufacture of Diesel engines, trucks, trailers, oil well and lumber-mill equipment, for all of which there is a waiting market.

The war's end will of course seriously cripple shipbuilding activity along the Texas Gulf Coast but ship maintenance and repair work should continue brisk, especially in view of anticipated postwar trade expansion with South America.

As Texas goes, so will — to a large extent — go the entire Southwestern region, it is widely believed. Oklahoma and parts of Arkansas and Louisiana yield the same resources and have received war benefits similar to those of Texas.

Another new industrial frontier is found in the Tennessee Valley, with easy access to Gulf ports. In some quarters, it is called "red meat" for manufacturers seeking real sales and production opportunities. Raw materials for some two dozen manu-



One of the southern butadiene plants whose fate will largely hinge on the future of synthetic rubber production.

facturing industries are available nearby; power cost is low and local labor normally both cheap and ample.

Some progress there has already been made but full-throttle industrialization of the Tennessee Valley is waiting on the Interstate Commerce Commission which since last June has been wading through a welter of evidence to determine whether or not the present railroad freight structure is unreasonably oppressive to Southern (and Western) manufacturers. Most Southern business men believe that an affirmative decision would pave the way for unprecedented industrial activity in this region, in the fact most of the South. This explains why probably no subject short of the Civil War lights such fierce fires in the eyes of Southern business men.

But regardless of difficulties, and perhaps because of them, the South keeps planning. Only recently, the fabric of the region's peace-time hopes began to assume shape with the birth of the comprehensive and ambitious Southern Research Institute which has embarked on a program of research in behalf of existing industries with confidence that it will turn up a catalog of new products based upon use of the South's storehouse of raw materials. Cotton and coal are two major projects on the Institute's list. The sweet potato, lumber, clay, metals — everything on the Southern roster of resources will feel the touch of research and experimentation with a view towards solidifying and accelerating Southern industrialization.

Now let's turn to the Far West. Out there, California's prospects are different, yet equally bright. Some of the problems, such as railroad freight rates, are akin to those of the South. The Western boom is based mainly on shipbuilding and aircraft production; both will be cut back sharply at the end of the war and Westerners must look elsewhere for postwar prosperity. But war-built plants offer a number of possibilities, especially in the manufacturing field which is growing rapidly.

These possibilities are fostered in very concrete fashion by existence of new and modern steel plants, war-time additions to Western steel capacity which has long been inadequate for Western needs. This particular topic has been discussed in our last issue.

Also, California has big new aluminum and magnesium plants, with abundant low-cost water power. It should share importantly in postwar aluminum output and markets but there is one drawback: Production capacity is excessive and, hence, the extent of postwar production is problematical.

Changed Concentration of Nonagricultural Employment in Principal States Producing War Munitions—1939 to May 1944

STATE	Percent of United States total nonagric. employees 1939	May 1944	Change in % of United States total
California	6.0	7.0	+1.0
Texas	3.4	3.9	+ .5
Ohio	5.9	6.3	+ .4
Washington	1.4	1.7	+ .3
Michigan	4.5	4.7	+ .2
Indiana	2.6	2.8	+ .2
Maryland	1.7	1.9	+ .2
Alabama	1.3	1.5	+ .2
Connecticut	1.9	2.0	+ .1
Virginia	1.7	1.8	+ .1
New Jersey	4.1	4.1	0
Missouri	2.6	2.6	0
Wisconsin	2.1	2.1	0
Illinois	7.5	7.3	— .2
Pennsylvania	8.8	8.5	— .3
Massachusetts	4.6	4.3	— .3
New York	13.6	12.4	—1.2
Total, 17 States	73.7	74.9	+3.2 / —2.0
Total United States	100.0	100.0	+3.6 / —3.6

Source: U. S. Dep't of Commerce based on U. S. Dep't of Labor data.

Western Potentials

The West, too, has some synthetic rubber plants but their potentials are far smaller than those of the Texas plants. The California oil supply is smaller and the necessity for deep-drilling makes oil production costlier. Prospects of the Western rubber plants are therefore surrounded by considerable uncertainties, based both on technical and political considerations.

One Western industry that made great war-time strides is the plastics industry; postwar potentials should be proportionately promising. The machinery industry has undergone considerable expansion; after the war, managers will look across the Pacific for customers. Also, California expects to become a center for assembling automobiles for local sale and export. It already progressed handsomely in the establishments of a prominent clothing industry, chiefly in and around Los Angeles, that may eventually rival New York as a style center.

Manufacturing industries that are likely to flourish are tires, cosmetics, furniture, electrical appliances, pottery, food products, lumber products, boat building and others. They all will feel the spur of large postwar demand; existence of adequate plant facilities and, particularly, availability of sufficient semi-finished and finished steel should greatly aid establishment of new, and expansion of old, metal working and consumer goods industries using metal such as steel sheets, light strip, etc. It is on expectation of gradual expansion of manufacturing industries, on which plans for progressive western industrialization mainly rest.

Unlike Texas, California has within her borders few of the raw materials she needs, but these are readily available in nearby states. Manganese, iron ore, coal, lead, zinc, tungsten and other minerals come from Nevada, Arizona, New Mexico and Utah. These states constitute virtually a feeder region for California's industries and are being developed with that idea in mind.

The other Coast states, Oregon and Washington, are less bound to California than the Southwest is to Texas. It is in the Northwest, however, where big aluminum and magnesium plants are located, where cheap water power is available.

The threat of postwar deflation obviously centers on the areas of greatest war-time expansion. What happens in these areas (some of them may become problem areas) will depend on the degree of over-expansion, the success in reconverting war plants but also on the resourcefulness of industrial and community leaders. A wealth of new facilities and skilled labor exists, mak- (*Please turn to page* 114)

. . . . Rail . . . . Agricultural . . . . and Oil Drilling Equipments

Companies To Lead Reconversion Race

BY E. A. KRAUSS

THE official "ready" signal for reconversion has been given. Any day now, the green light may be flashed that marks the beginning of the trek back to a civilian economy. It may come tomorrow or the day after, or in a few weeks or months but whenever it comes, it will signal the start of a race that will begin at a slow pace but may gain unexpected speed and vigor as it progresses.

Official preparations for the event are in full swing with the War Production Board racing against time to set its house in order before VE-Day explodes vital reconversion problems on its doorstep. For American business and industry, the period ahead will be momentous; once more they will find themselves at another of those critical stages that mark the end of one set of business conditions and the beginning of another. And, as well they know, the road ahead will be beset with uncertainties. These can hardly be entirely removed even by present feverish planning for the forthcoming one-war economy.

Not all industries will fare alike under that economy. Some will forge ahead more quickly in their return to civilian production while others will be tied down to continued war production until the end of the global conflict. Under the circumstances, the importance of the order in which industries will reconvert has become a live question.

The recent Byrnes report on reconversion, discussed in detail in our last issue, lays down the official pattern that is to govern the immediate future. It makes plain that first things are to come first, that industries producing the most urgently needed goods will have first call on raw materials, manpower and machines that will be freed by diminishing war production.

Basically, the initial scope of reconversion hinges on the extent to which cutbacks of the munitions program will break the latter's stranglehold on our steel supply, for steel is the basic raw material of virtually all manufacturing industries. At the moment, steel is extremely tight and even essential industries are being starved to an extent that will further curtail the limited volume of regular line production that has been permitted for some time. Such essential industries will be the first to obtain more liberal allotments of steel and other raw materials. In that sense, they will lead the reconversion race.

At the top of the list is the farm machinery industry, now striving valiantly to meet insistent farmer demand for more equipment. Next comes the railroad equipment industry, similarly facing an enormous backlog of urgent demand, both domestic and foreign. Then come the makers of oil field equipment, manufacturers of public utility equipment and the metal container industry. All these are on the preferred list not only because demand for their products is urgent but also because meeting that demand is regarded vital for smooth transition and for most effective conduct of the war against Japan. Hence at the start of the new period, much of the increased metal supply must be sluiced into these industries, badly neglected because of recent and current shortages of materials and manpower.

As military requirements diminish further, metal for makers of durable consumer goods will become available, in driblets first but then in even-increasing quantities. Official efforts to project an approximate time table has not yet progressed sufficiently to afford definite ideas of just at what rate resumption of consumer durables production will proceed. According to industry expectations, however, radios and ranges will probably lead the parade of appliances back into the American home. Once the go-ahead signal is sounded, the following schedule for production starts may be expected: For radios in two to three months; ranges three to four months; washing machines six months, refrigerators nine to twelve months. These tentative schedules reflect the varying reconversion problems facing these in-

Some Companies That Will Lead Early Reconversion

	—in mill.of $— Total Assets	Working Capital	Per Share: Book Value	1936-39 Avge. Net	1943 Net	1944 Net	1936-39 Div.	1944 Div.	Div. Yield	1944-45 Price Range	Recent Price	Price Earnings Ratio
American Can	241.388	77.702	$57.00	$5.61	$3.43	$4.30	$4.50	$3.00	3.0%	98 -82	98	22.8
Anaconda Wire & Cable	34.876	12.811	58.16	2.86	3.13	3.50 E	2.31	1.00	2.3	47 -25	42½	12.1
Byron Jackson	7.920	2.186	12.82	2.32	2.01	1.77	1.80	1.25	5.3	26⅜-20	23½	13.2
Continental Can	159.772	61.432	34.40	2.78	1.81	2.12	2.56	1.00	2.3	43½-32½	42½	20.0
Dresser Industries	28.639	6.446	32.11	1.34	5.53	4.73	0.43	2.00	7.0	62¾-27	28⅜	6.0
General Cable	51.709	17.366	17.41	def 2.86	def 0.79	def 0.12	Nil	Nil	—	7⅞- 4⅜	6¾	—
National Supply	79.627	42.713	16.37	1.08(a)	2.48	2.18	Nil	Nil	—	18⅞-11¾	16¼	7.4
Square D	21.981	5.430	19.73	2.48	4.99	4.36	1.06	2.00	4.6	43⅞-33¼	42¾	8.5

(a)—1937-1939 Avge. E—Estimate.

dustries. Makers of washing machines and refrigerators face the biggest hurdle not so much because of technical reconversion problems (though in some instances they are rather involved), but because of their dependence on components such as fractional horse power electric motors, widely used in big bombers and on ships.

In none of these industries will volume production be achieved before the end of this year even if the reconversion gong should be sounded almost immediately. The start will be slow and expansion of output gradual in line with the gradual filling of supply pipelines and the availability of manpower. Moreover, few companies are fully ready, or even nearly ready, for the reconversion start. The reason is that planning is hampered because they don't know just how much of their plant facilities will be freed, how great will be the cutbacks they may expect. Also, some need machine tools; without them, they cannot undertake the change-over.

Automotive Troubles

The latter is a sore point with the automotive industry where the reconversion outlook is foggiest. The date for automotive reconversion will not be set, nor will initial production quotas be issued, until some time after VE-Day. All production that will follow will be subordinated to the war needs in the Pacific though present planning foresees output of some 2,150,000 automobiles in the first year of production. But that year will not begin immediately. The industry will need anywhere from four to six months (some longer) to prepare for civilian output. What's more, it is in urgent need of machine tools without which it cannot get ready.

Realizing this, the W.P.B. only just now has authorized machine tool makers to start work on some critical items required by the automotive industry. First step will be the manufacture of $50 million worth of tools. It will take three to seven months to turn out this equipment and entails juggling of virtually every order on the books of some 190 machine tool makers.

The War Production Board has promised the automobile makers an equal opportunity in resuming normal production. To make this possible,war contracts — wherever feasible — will be relocated to clear automotive plants. Still that doesn't mean that all car makers can start production exactly on the same date, or at the same rate. That will remain a question of how much of their war contract work can be relocated. Since this particular aspect is full of uncertainty, the prospect is that new automobiles won't be in the show windows for a long time. According to current expectations, cars will hardly roll off the assembly lines until late this year, and then not in volume.

Industries or companies where reconversion will be relatively slowest will be those greatly depending on raw materials which promise to continue scarce for some time ahead. These include paper, lumber, leather and a good many chemicals. Metal containers are likewise scarce but container output will be stepped up as the flow of metal to container plants rises. The latter are on the preferred list of essential industries. Textiles, especially cotton textiles increasingly needed for the Pacific war will also continue in tight supply; for some time they are not likely to become much more plentiful for civilians.

The foregoing pattern, based on latest official indications, affords a fair picture of the prospective reconversion parade. It will be led by the makers of farm, rail, utility and oil field equipment, and the metal container manufacturers. In step with them will be the machine tool industry with its basic and special role. Just as machine tool builders were the first to prepare industry for war production, so they will be called upon to assist importantly when industry changes back to peace-time work. Theirs will be full schedules for a considerable period though by no means comparable with the enormous volume occasioned by industrial conversion requirements early in the war. Re-opening of foreign markets, assuring large export sales, should bolster volume during transition and immediate postwar years.

Prospects of "Early Reconverters"

Let's look, individually, at the prospects of the early reconversion industries. All have substantial backlogs of deferred demand, hence should be busy for several years. This is true especially of the farm and railroad equipment industries. Their bright prospects overshadow immediate problems created by shortages of labor and component parts which currently are holding down regular output. After VE-Day, as manufacture of direct war items declines or ceases, normal production should mount proportionately, ultimately enabling these companies to devote their full capacity to normal lines.

From the earnings standpoint, this change has several implications. Operating margins may not improve much, nor immediately, as the price-cost

squeeze may continue unrelieved for some time. On the other hand, production of peace-time goods will escape renegotiation or drastic repricing, and will be subject only to regular taxes and EPT. This circumstance alone should assure certain financial benefits which may bulk larger as EPT is being modified. Any lowering of EPT rates will naturally have an important influence on final earnings. Tax policies, in other words, will be a weightier determinant of reconversion profits than volume since the latter, already high, is limited by existing capacity. This of course applies to virtually all industries; it is a question that immediately begs another one.

An Important Point

Early reconversion industries may find themselves satisfying a considerable portion of their accumulated demand while full EPT rates remain in effect, thus might have much less of a market left when EPT rates come down, with correspondingly bigger profit potentials. The machine tool industry, perhaps more than any other, may be affected in this manner. It again emphasizes the importance of the tax factor.

In the railroad equipment field, large deferred demands give promise of active operations for several years. This prospect, in the case of the locomotive builders, is enhanced by the outlook for perhaps four or five years of peak export demand. Car builders expect to make over 1,000 railroad passenger cars annually for four or five years, perhaps 75,000 or more freight cars over a like period, and to make inroads on an estimated backlog of 1,000 rapid transit and subway cars. The postwar competition for speedier transportation, both for passengers and freight, will almost certainly foster substantial equipment purchases of the railroads. Equally if not more urgent is the prospective demand for signaling devices, air brakes, track material and fixtures. The accumulation of deferred maintenance is greater on roadway than on any other phase of railroad facilities. What with improved finances to cope with reconversion problems, railroad equipment companies are geared to reap substantial profits during the immediate postwar era and should be able to pay larger dividends as taxes are moderated. Until then, however, profit margins are not likely to improve much over today's.

In the utility equipment field, initial activity for civilian use will be governed mainly by the pressing demand for telegraph and telephone equipment; this should importantly sustain production volume of companies engaged in this type of work, such as the makers of wire and cable, switchboards and telephone sets. Prominent among them are Anaconda Wire & Cable Co., General Cable Co. and Western Electric, the latter owned and controlled by American Telephone & Telegraph Co. Related divisions of General Electric, Westinghouse Electric and Square D Co. may also benefit to some extent. It is a question not so much of reconversion but of a shift from governmental to civilian outlets.

Among makers of oil field equipment, likely beneficiaries of increased materials allotments under reconversion procedure include such concerns as National Supply Co. and Byron Jackson Co. whose products find a principal outlet in the oil industry. The latter also affords a sizable market for the products of Dresser Industries, Wayne Pump, Cooper Bessemer, Foster-Wheeler and Worthington Pump though their output includes diversified lines of other machinery and equipment unrelated to the oil industry.

Larger allotments of tin plate and easing of restrictions on the use of tin will enable metal container makers to step up their production. Principal beneficiaries will be American Can and Continental Can which together account for about 75% of total can sales. The next two companies in the field, National Can and Crown Can (subsidiary of Crown Cork & Seal) do less than 10% of total industry volume.

This completes the list of the earliest reconversion industries, so far as they can be ascertained by the latest pattern of early reconversion procedure. Statistical data pertaining to the companies involved are found in the accompanying table. The latter, however, does not include machine tool, railroad equipment and farm machinery makers; all of these have been discussed in detail in recent issues and to avoid repetition, the reader is referred to these special articles, and the tables that go with them.

As already pointed out, the consumer durable goods industries generally will not be among the earliest beneficiaries of reconversion; most of them will require some time to get ready for the changeover. But within two months or so, manufacturers of radio sets will be able to get into civilian production, though by no means on a volume basis which probably will not be fully achieved until the end of the year, should a start be possible around mid-year. The radio industry will continue to require a goodly part of its productive facilities to meet military demands such as for radar and other electronic equipment.

As the shift back to pots and pans, radios and ranges gets under way, other durable goods manufacturers will probably swing into civilian production along the time pattern indicated earlier in this article, provided that manpower and materials preferences permit adherence to such schedules. They, too, will be among early "reconverters," though ranging in priority behind the essential industries formerly discussed. (*Please turn to page* 107)

. . . present planning foresees output of some 2,150,000 automobiles in the first year of production.

U. S. NOW A DEBTOR NATION

—*The Amazing Reversal*

In Our International Investment Position

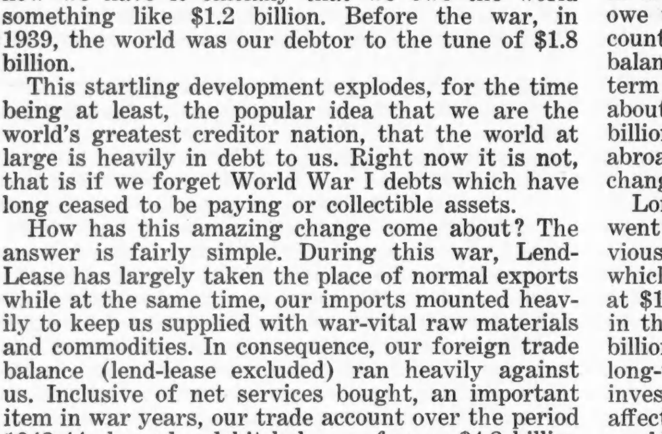
BY H. M. TREMAINE

THE war has changed a good many things that are usually taken for granted. One of them, surprisingly, is the net creditor position which this country has enjoyed for some three decades. That a change in our international investment position has occurred as a result of war-time shifts in our international balance of payments has been suspected for some time in financial quarters. But now we have it officially that we owe the world something like $1.2 billion. Before the war, in 1939, the world was our debtor to the tune of $1.8 billion.

This startling development explodes, for the time being at least, the popular idea that we are the world's greatest creditor nation, that the world at large is heavily in debt to us. Right now it is not, that is if we forget World War I debts which have long ceased to be paying or collectible assets.

How has this amazing change come about? The answer is fairly simple. During this war, Lend-Lease has largely taken the place of normal exports while at the same time, our imports mounted heavily to keep us supplied with war-vital raw materials and commodities. In consequence, our foreign trade balance (lend-lease excluded) ran heavily against us. Inclusive of net services bought, an important item in war years, our trade account over the period 1942-44 showed a debit balance of some $4.8 billion compared with a credit balance of $2.3 billion in the years 1939-41.

The result was that we have lost gold, and foreigners have accumulated bank deposits and other short-term funds in such amounts that our total obligations to them now exceed our own assets abroad. These changes for the first time have been officially measured by the Bureau of Foreign and Domestic Commerce, bringing out forcefully the shift in our international transactions. The appended table tells the story.



It shows that our new role as an international debtor was due mainly to rising foreign short-term investments in this country which almost doubled in amount since 1939. On short-term account we owe the world $5.6 billion while on long-term account, the world owes us $4.4 billion, leaving a balance of $1.2 billion against us. Foreign short-term holdings in this country were built up from about $3.3 billion at the end of 1939 to some $6.1 billion late in 1944 while our short-term assets abroad during this period remained largely unchanged at $0.6 and $0.5 billion respectively.

Long-term holdings, on the other hand, underwent little change during the war period, for obvious reasons. Our long-term investment abroad which stood at $10.8 billion in 1939, was still valued at $10.6 billion last year. Foreign long-term assets in this country declined equally slightly, from $6.3 billion to $6.2 billion, leaving us a net creditor on long-term account of $4.4 billion. Our long-term investment position, in other words, has been little affected by our war-time transactions with the world.

As already indicated, the shifts in our short-term position which thrust us into our new role as an international debtor lead back directly to the methods we have used in financing the war. Military supplies to our allies have been delivered through Lend-Lease, thus do not appear on our books as loans or any form of exports. In this manner, some $35 billion worth of goods were shipped without charge (except on Lend-Lease account) to Britain, Russia, China and many other allies. In contrast, our own war purchases outside of Lend-Lease areas have been bought for cash.

Apart from the shift in our trade account with the world, another reason why we have suddenly become a debtor was the heavy outlay of dollars for services, mainly due to the enormous expansion of military expenditures abroad. Next to merchandise exports, such outlays have become the most important factor in supplying of dollars to foreign countries. The world over, dollars have been flowing into areas where U. S. troops were stationed, amounting in some cases to a veritable bonanza, and this has led to a considerable strengthening of the dollar reserves of the countries involved.

In the longer perspective, this country's

switch to a debtor position merely accentuates a trend that has been apparent for some time though naturally no one would have foreseen the eventual radical reversal in position which at any rate would have been impossible except for the war. Actually, however, our position had undergone a drastic change in the inter-war period. Foreign long-term assets of the United States are now only about two-thirds of their previous maximum of $15.2 billion in 1930, a total built up mainly by virtue of our prolific lending activities during the Twenties in the wake of World War I. Thereafter, the outward flow of American capital was abruptly and decisively reversed as new U. S. investment activity ceased, outstanding investments were reduced — either by redemptions, repatriations or shrinkage in value — and foreign capital increasingly sought refuge in the United States from monetary, economic and political uncertainty abroad.

Foreign Capital Unsolicited

From being an active investor in the preceding decade, the United States became during the middle and late Thirties the greatest recipient of funds, although the influx of foreign capital was altogether unsolicited and in fact accepted somewhat unwillingly. U. S. investments abroad nevertheless remained larger than foreign holdings here until further offset by the growth of foreign dollar balances during the war. Prior to that, there was a brief interim trend reversal in the early stage of World War II, brought about by a reduction of foreign holdings, principally British, to finance war purchases here prior to institution of Lend-Lease.

The significance of the war-time change in our international investment position must be viewed not so much from the standpoint of the relatively small amount we now owe to the outside world, but rather in the light of its world economic implications. Our debtor balance, for one thing, is relatively trifling when compared with our still very substantial gold holdings. Moreover, the situation in all likelihood will prove transitory. When the war ends, military expenditures overseas will largely cease and foreign countries will urgently want American goods; almost certainly they will use some of their $6 billion of short-term holdings (bank deposits) in this country to get what they need.

We on our part, with our enormous productive capacity and great power to generate capital will almost as certainly provide loans and make investments in connection with foreign reconstruction and development. The prospect, in short, points strongly to an early trend reversal; our postwar balance of international payments may well yield fairly quickly a substantial surplus on current account. Just how drastic this reversal will be will depend on how foreigners use their accumulated assets here, and on the extent to which we shall exercise our large potential investment capacity.

On the other hand, the fact that we shall enter the postwar era owing more to foreigners than they owe to us constitutes a financial buffer that may be of immense aid in the forthcoming transitional and reconstruction period. International stability is not likely to be restored quickly after cessation of hostilities; in the interim, foreigners can cover many of their needs from the United States without waiting for resumption of American lending activities or even full restoration of their own productive and export capacities. In Latin American countries, particularly, large gold and dollar holdings will be of material assistance during transition when American imports decline and prices of many of their principal export commodities head downwards.

Even of greater importance in the long run would be retention of a sizable part of present foreign dollar and gold holdings as a "cushion" against future balance of payments fluctuations. Though hardly sufficiently large to withstand, for instance, the onslaught of a world-wide depression of the magnitude experienced in the Thirties, such reserves would help to counterbalance temporary adverse trade balances, thereby preventing or mitigating unfavorable repercussions on American exports and our economy as a whole that are normally experienced when the dollar supply abroad begins to shrink. Additionally, it could greatly smooth the path to future currency stability. This latter aspect of course can be materially fostered by a realistic postwar foreign trade policy. By the same token, existence of such a "cushion" would automatically provide a sounder basis for long-term American loans. Withal, our short-term investment position, debtor though we are, must be viewed as a helpful start towards postwar stability though foreign short-term balances accumulated here are likely to shrink quickly under the prospective large postwar demand for American goods. With our long-term position promising to expand likewise, it will be only a matter of time, perhaps only a few short years, until we once more return to our time-honored position of a world creditor.

Our net creditor position (Please turn to page 108)

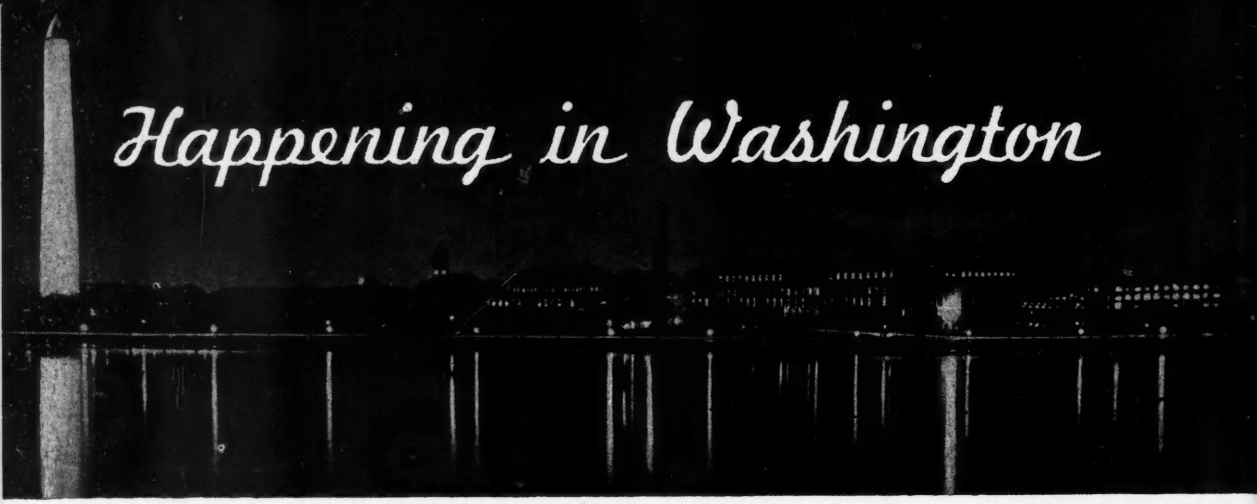
International Investment Position of the United States

(In Billions of Dollars)

	Dec. 1939	Sept. 1944
U. S. Investment Abroad:		
Long-term Investments:		
Direct	7.0	7.3
Foreign dollar bonds	3.8*	1.7**
Miscellaneous private	n.r.	1.0
U. S. Government	n.r.	.6
Total Long-term	10.8	10.6
Short-term:		
Private		0.3
Official	.6	.2
Total Short-term	.6	.5
Total U. S. Assets abroad	11.4	11.1
Foreign Investment in U. S.:		
Long-term investments:		
Direct	2.0	2.2
Pfd. and common stocks		2.7
Corporate and gov't bonds		.7
Miscellaneous	4.3	.6
Total Long-term	6.3	6.2
Short-term:		
Private		2.8
Official	3.3	3.3
Total U. S. Liabilities	9.6	12.3
Net Investment Position:		
On long-term account	+ 4.5	+ 4.4
On short-term account	— 2.7	— 5.6
Net position	+ 1.8	— 1.2

*Valued at par. **Market value.
n.r.—not reported.

Happening in Washington



Charles Phelps Cushing Photo

By E. K. T.

SIDNEY HILLMAN will write the labor policy in the new Administration. President Truman went on the democratic national ticket because he was the candidate backed by CIO-PAC. Whether "clear it with Sidney" was the language actually used, the fact remains that Hillman "cleared" the then Missouri Senator. The self styled "pants presser" has won friends by refraining from dictating in the early months of the Fourth Term. Truman may have weaknesses but lack of loyalty is not one of them. He stood by Boss Tom Pendergast when the going was rough, will invite Hillman in to advise on labor questions.

> ***Washington Sees:***
>
> John L. Lewis has scored again. The agreement between the United Mine Workers and the bituminous coal operators raises miners wages seemingly without disturbing settled policy. "For the record," basic hourly wages were untouched, yet "fringe" adjustments put about $7 a week into the pay envelopes of each of the affected workers.
>
> Before the agreement can be put into operation, the War Labor Board and Stabilization Director William H. Davis must decide it is in conformity with existing wage and price policy. But Chairman George Taylor of W L B (who never yet has failed to echo the principles of his former chief, Mr. Davis), already has spoken out for the principle of "adjustments" and the guessing is not difficult.
>
> To meet the terms of the agreement it will be necessary to add 150 million dollars a year to the cost of putting bituminous coal on the market. That means about 25 cents a ton tacked onto consumers prices. But the government is confronted with this situation: either it can accept the contract, or it can take over the mines with no hope of executing a more favorable deal with U M W. Beribboned and goldsealed executive orders, however impressive, don't extract coal from the ground. The miners are in a position to drive a hard bargain and their leadership is all for it.
>
> There may be some face-saving "reservations" in the pact finally signed but the situation is critical and the government, once more, will give ground for expediency's sake.

LIMITATION of Federal taxes to a maximum of 25 per cent as proposed in bills which had approval of almost a score of state legislatures will not become law. The trend has reversed itself; few additional states will join in ordering Congress to write a new constitutional amendment, some of those which already had acted favorably have withdrawn their support. A total of 36 petitioning state legislatures was essential. The votes are not in sight. As frequently happens the movement will be defeated by a slogan. In this case: "Millionaires' tax amendment."

PEACE FEELERS from Japan currently are the chief worry of the military high command in Washington. The Nipponese have watched the happenings in Europe, have seen Argentina and Spain proclaim 11th hour conversions. It will be difficult to sustain public demand for unconditional surrender in the Pacific, the military chiefs are convinced. Official propaganda will be geared to the truth that a nation that talked peace in Washington while making war at Pearl Harbor cannot be trusted, must be totally crushed.

PROCLAMATION of Victory in Europe which, instead of unconditional surrender, will be the notice to the world that resistance has ended is not of the Treasury's liking because of the depressive effect it will have on the War Bond market. But it has military necessity behind it. Until the United Nations make such an entry in the war book, Germans are protected by the Geneva Convention articles; after the entry it is "no holds barred." Germany is aware of that and the knowledge will speed the work of mopping up.

AS WE GO TO PRESS

Failure of Congress to enact compulsory manpower legislation can be traced to lack of confidence in men holding high positions in government. The House distrusts W M C Chairman Paul V. McNutt, and the Senate is just as wary of Maj. Gen. Louis B. Hershey, chief of Selective Service.

Compromise might have been made if War Mobilizer James F. Byrnes had remained to accept the responsibility for administration, even if not the details. Byrnes' successor, Fred Vinson, would be equally acceptable if it were assured he will remain fixed in the job. But past performance casts doubt on that.

Congressional leaders still aren't willing to take the onus for passing on manpower controls as the war draws to a close. They see in Washington agencies the beginnings of a rush to peacetime job security, know it is the same in war plants elsewhere.

Labor has submitted to a large share of coercion from W M C despite absence of statute. But labor is showing signs of rebellion. The past difficulties will be nothing compared to those ahead if Congress fails to act. That realization may yet result in giving W M C orders the force of law.

Food will be top problem facing the Allied Governments in their occupation of defeated Germany. Lt. Col. Ralph W. Olmstead has been handed the hot potato of food administrator there, ordered to coordinate his work with Maj. Gen. Lucius D. Clay, who'll be chief of military affairs.

End of fighting in Europe does not mean end of the food industry's job in Europe. In addition to feeding the liberated nations on a diet beyond anything they have known in years, there will be an occupation army of a million men to feed.

Reexamination of the Army's food problems will show error in purchasing, overstocking of many items, under-buying of others. Actually, the military larder will be found fairly well in balance, not as "short" as has been pictured.

It will take three months to determine the army's stock position. Quartermaster Corps' statement that the military can eat its way out of present stocks is generally accurate. Some concern is being expressed, however, about re-imports to the United States, such as occured in canned goods after the last war.

Despite hullabaloo on Capitol Hill, the meat situation will not be materially improved this year. Rationing until the middle of 1946 seems indicated, with fats, oils and sugar under coupon distribution until the end of next year. Fresh vegetables, grains and cereal products will lead the march away from price ceilings -- when the parade begins.

With 1,200 reporters and radio correspondents on hand, news coverage of the United Nations Security Conference at San Francisco will be the best reported conference to date in its early stages. But, booked for a six-weeks showing, it will dip after the opening guns are fired.

Impossibility of sustaining news in technical discussions will send many reporters home after the first week -- unless signs are evident of serious disagreements or withdrawals. The important "copy" may well be the reactions in major Capitals, rather than the happenings on the West Coast.

Total damages by war to physical properties in France are estimated by the Minister of Reconstruction at forty billion dollars. That, says the Department of Commerce, gives some idea of the job of rehabilitation ahead for the only major power physically unmarked by battle -- the United States.

To repair France will require the services of eight hundred thousand persons working 40 hours each week for a period of 11 years. This does not include damage to navigation installations, national defense equipment, navy, merchant marine, fishing fleet, or government buildings.

Of first importance on the list of items to be restored are 1,200,000 dwelling units and 120,000 industrial buildings.

Orders of the Office of Defense Transportation designed to keep travel and the resort business at a minimum will be circumvented. The impetus will come not from advertising folders but from newspaper stories.

Florida will move into the picture with announcement of a state appropriation of, perhaps, two million dollars to build that state as a year-around resort.

The Seventh War Loan will be oversubscribed but with such difficulty that the Eighth -- and there will be an Eight -- will set lower sights. To insure reaching the goal of the Seventh, the Treasury will include as sales the payroll deductions made for a full month before the campaign begins, also the "odds and ends" that come a month after.

Promotion is a major problem. Newspapers and magazines will have even less paper in the last half of this year than they were allowed in the first six months. They just won't have enough for elaborate displays. Treasury will send agents about the country to make personal appeals to the editors.

The alcoholic beverage industry has escaped wartime prohibition but is not without legal difficulties in the states. A recent survey shows a total of 1,090 bills affecting liquor trades introduced in the legislatures of 42 states. They range from destruction to minor controls.

Victory in Europe carries no implication peculiar to the whiskey business. No cutbacks are to be made in aviation gasoline production and the rubber factories are due to operate at capacity. That means no diversion from present production to beverage alcohol, no "holidays" are ahead.

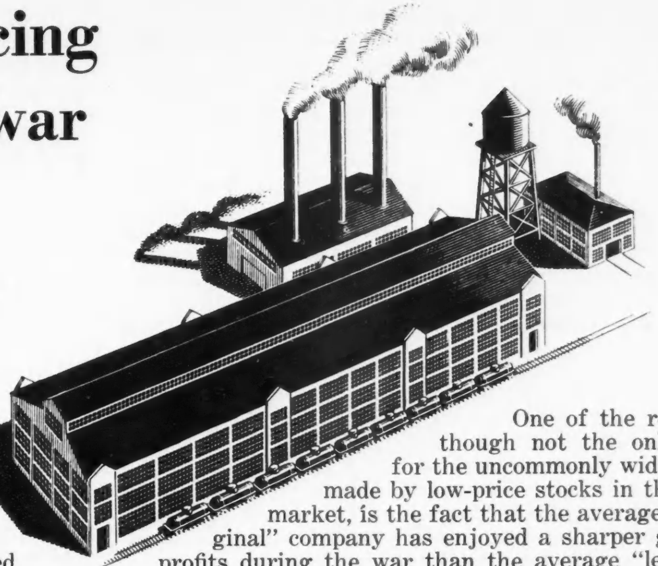
At least three members of the Cabinet will walk the plank within sixty days. Secretaries Ickes and Perkins are the probable "firsts," with Secretary Stimson "relieved" soon thereafter. But they'll all remain in deference to President Truman's request until he is ready to begin recasting the official family.

Others may join them in the file back to private life but one member is certain to remain -- Henry A. Wallace, Secretary of Commerce. It isn't that Truman particularly admires his predecessor in the vice presidency. But it would be indelicate to thrust him aside -- again.

One significant change will be the departure from the White House of Harry Hopkins. Hopkins has wielded an influence of magnitude, more so than has been generally understood, not less than his detractors have pictured. Hugh Fulton, New York and Washington lawyer was the brains behind the Truman Committee, will be the next "Hopkins."

Companies Facing Marginal Postwar Prospects

BY H. F. TRAVIS



GENERALLY speaking, though with exceptions which prove the rule, the most spectacular war-time gains in sales and earnings have been experienced by small or medium-sized companies. A large percentage of these, as compared with companies which were large and strongly established before the war, have had war-period earnings sharply higher than in the most profitable pre-war years.

A goodly percentage of "big" companies, even among those with heavy volumes of war production, have netted less per share in their most profitable war years than in their best peacetime years. A few examples are General Motors, Chrysler, American Can, International Harvester, American Tobacco, General Foods, National Biscuit, Woolworth, Caterpillar Tractor, Montgomery Ward. Scores of others could be named.

In the return to a peacetime economy and lower corporate taxes, the **average** large company — especially among those in consumer-goods fields — has more to gain than the **average** small company. No doubt there will be exceptions both ways. Many small enterprises will emerge from the war in strengthened financial position, and with experience in production techniques which they didn't have before. A certain percentage of these will prove to be more successful hereafter than they were before the war. But neither investors, nor security analysts, have much to go on in trying to select such "long shots".

Big companies, also, will come out of the war rich in working capital and in new knowledge of production methods. Where a company was in a "marginal" position before the war, the odds are that it will revert to a similar relative competitive status after the war. Despite the possible exceptions, investors are on safest ground in shaping selection-policy to reasonable probabilities on an average basis.

Though the prospects for any stock need to be examined carefully on an individual basis — always with an eye to how much the current price discounts favorable, or unfavorable, expectations — as a rule post-war potentialities should be given especially critical scrutiny in situations where the pre-war record was poor and where war-period share earnings have been sharply higher than past experience.

One of the reasons, though not the only one, for the uncommonly wide gains made by low-price stocks in this bull market, is the fact that the average "marginal" company has enjoyed a sharper gain in profits during the war than the average "leading" company. Let it be emphasized that by no means all low-price stocks are those of "marginal" companies. But stocks of "marginal" companies are nearly always low-priced; whereas, except in instances of unusually large common share capitalizations, stocks of strong companies are rarely low-priced.

Of course, another reason for the abnormal popularity of low-price stocks during the past several years has centered in high war-time income taxes, which have made dividend-income relatively less attractive than formerly and capital gains income more attractive. That makes sense up to a point, beyond which the logic wears thin. It is an artificial influence. High income taxes don't increase the intrinsic merit of individual low-price stocks one iota. And there is danger that the unusual profitability of low-price stocks, as a class, has made many investors too lax in their requirements and too complacent about their holdings.

In the writer's view, there is considerable basis for suspecting that the influences which have exceptionally favored low-price stocks are in process of being weakened, if not reversed; and that, certainly in a longer-term sense, the "technical" position of the average low-price stock is not as strong as that of the average better-grade equity. The reasons for this view are as follows:

(1) Prices, compared to past peacetime highs, average higher for low-price stocks than for better-grade equities.

(2) As a rule, the chances for post-war gains in earnings and dividends are smallest among low-price stocks, and smallest of all among stocks of "marginal" companies.

(3) The high-income-tax influence has already had its maximum effect. Though lower taxes are some distance ahead, investors will increasingly take them into account. Obviously, the next change in the tax trend — probably beginning next year if the Jap war continues to go as well as it now looks — will be downward. On the whole, the reductions will increase demand for better-grade stocks relatively more than for the radical speculations.

On all counts, then, the time has come to scrutinize one's stock holdings more carefully and more critically. Plausible generalizations about the special attractions of speculative issues have become dangerous — and were never as well-founded as some people have supposed. For instance, regardless of the changed tax status of dividend-income, individual stocks still tend to advance when dividends are increased, and to decline when they are lowered.

The word "marginal" as applied to a company is invidious. And if the writer sets up any considerable list of such companies, the chances are that time will reveal at least a minority of instances of error. This is not because of misjudgment of known facts; but because unknown facts — or unpredictable future developments — may quite conceivably alter a company's status for the better. There are thirty-five companies listed in the accompanying tabulations. The writer would prefer not to call them "marginal." Suffice it to say that they are companies whose best war-period earnings have been sharply higher than their best pre-war earnings; that their prospects for satisfactory post-war earnings appear definitely sub-average; and that at present prices not a single one can be given a favorable recommendation.

The future status of the so-called independent automobile companies — that is, those other than the "Big Three" — is an intriguing question. These stocks in most instances are much higher, relative to past peacetime market prices, than are General Motors and Chrysler. Their war-period earnings, unlike those of the leaders, have averaged above pre-war. Their working capital positions are much improved — though that, of itself, does not assure popularity for their post-war cars. Two of them — Willys-Overland and Graham-Paige — have well-regarded new managements. A miracle — such, for example, as the transformation, between 1924 and 1932, of the weak Maxwell company into the strong Chrysler Corporation — is always possible; but, while speculators may gamble on miracles, investors should refrain from banking on them.

Automotive Prospects Discounted

It is apparently reasoned that demand for automobiles will be so large that every make ought to sell in highly profitable volume. Maybe so, but the most speculative automobile stocks have gone a long way toward discounting an improvement not only in absolute sales and earnings but also in relative trade position. Whether the latter can be attained is certainly open to question. The industry, even on its normal one-shift basis, has never produced cars anywhere near actual capacity. Probably it never will, for the companies, as in the past, will prefer to stretch out the employment possibilities. But the idea that unusually large numbers of motorists will buy, let us say, the independent "X-Y-Z" car because they can't get their first choice among General Motors, Chrysler or Ford models will not stand realistic examination.

Whatever the production rate, the leaders will not permit it to be disproportionately high for the independents. In this industry, more than in most, success tends to feed on success. This is because some 90 per cent of car buyers prefer "leading" makes on the reasoning that they are less likely to be left with "orphans" on their hands, that they can get, as a rule, better turn-in-prices, and that, also as a rule, servicing facilities are better or more convenient.

The odds are against important longer range shifts in relative pre-war trade positions. However, in that respect, the best bets seem to be Studebaker and whatever combination the Fisher Brothers emerge with. Packard, Hudson and Nash (now Nash-Kelvinator) should at least maintain previous relative status if they continue indefinitely on an independent basis. However able their new managements, Willys-Overland and Graham-Paige are up against the formidable obstacle of relatively weak customer acceptance before the war. While it is possible that they can overcome it, it remains to be proved. Certain others, for instance Reo and Hupp, are still extant but are not expected to venture again into production of passenger cars. On conservative investment analysis, at present prices, General Motors and Chrysler offer both the largest and surest values, and

Balance Sheet Statistics

	—Total Assets— (In millions)		—Work Capital— (In millions)		Current Ratio		—Book Value—	
	1937	Latest Year	1937	Latest Year	1937	Latest Year	1937	Latest Year
Aero Supply	$1.10	$10.26	$0.49	$0.88	6.4	1.1	$1.86	$4.90
Air Associates	0.69	5.57	0.41	1.73	4.0	1.6	2.98	20.02
Air-Way Elec. App.	2.80	1.80	0.49	0.94	1.5	8.5	—	4.62
Amalgamated Leather	4.87	4.73	2.49	2.39	3.6	3.4	4.88	3.61
American Bosch	6.50	18.96	1.05	5.15	1.6	1.6	13.26	14.40
Am. Zinc, Lead & Smelt.	9.60	12.60	1.72	5.72	1.9	3.5	—	—
Austin Nichols	4.40	6.80	1.96	2.83	1.9	1.7	—	—
Bath Iron Works	3.80	43.00	0.85	4.13	1.6	1.1	5.36	23.52
Bellanca Aircraft	0.76	2.62	0.13	0.70	2.1	1.5	3.04	5.45
Butte Copper & Zinc	3.60	4.00	0.19	0.49	22.2	6.1	5.92	6.42
Byers, A. M.	16.90	20.90	2.61	3.97	12.9	2.2	31.48	38.90
Eastern Stainless Steel	2.90	3.60	0.67	1.59	1.8	2.6	9.16	11.30
Federal Motor Truck	4.16	19.90	2.22	3.09	6.9	1.2	7.63	9.15
Gair (Robert) Co.	21.00	16.30	0.80	3.09	1.2	2.6	—	5.42
Graham-Paige	7.90	12.40	d 0.81	2.88	0.7	1.5	0.97	1.16
Guantanamo Sugar	6.60	6.90	d 0.51	2.24	0.8	4.5	3.85	5.87
Inspiration Copper	34.90	34.30	3.91	6.35	5.4	6.7	22.34	22.78
Intercontinental Rubber	4.25	4.45	0.76	2.32	6.4	14.5	6.87	7.16
Manati Sugar	8.18	9.67	0.49	3.15	1.8	4.9	4.83	9.18
Martin-Parry	1.05	5.95	0.16	3.47	3.7	3.3	5.63	9.61
Patino Mines	7.16	6.12	0.88	2.13	2.5	2.0	21.36	—
Penn.-Dixie Cement	12.50	11.10	4.30	4.40	11.8	9.3	—	—
Pittsburgh Coal	139.50	124.70	8.70	17.30	2.1	4.9	97.79	51.53
Real Silk Hosiery	4.30	6.50	1.60	3.00	3.0	4.1	4.43	22.50
Reo Motors	9.30	23.80	4.40	6.66	4.5	1.5	17.80	19.46
St. Regis Paper	59.50	58.80	5.35	18.52	3.3	5.4	10.18	8.21
Savage Arms	5.20	3.85	2.14	6.20	7.3	1.7	7.30	14.47
Sparks-Withington	4.39	18.48	1.97	2.57	3.7	1.2	3.63	4.89
Transue & Williams	2.70	7.00	0.97	1.52	8.2	1.4	19.00	21.68
Webster Eisenlohr	3.67	5.08	2.69	3.32	11.5	3.4	6.12	8.66
Wilcox Oil	5.10	4.30	0.29	0.53	1.7	1.9	—	11.33
Willys-Overland	17.10	72.50	3.55	13.74	2.4	1.3	5.40	11.67

are probably cheapest in ratio to likely average post-war dividends.

Savage Arms is an illuminating example of a "war baby." Though it never **seemed** high on its temporarily large war-time earnings, nevertheless it was too high. That is to say, even though speculative-investors knew the good earnings were temporary, they nevertheless bid the issue up excessively. This stock went from a low of 2⅝ (on the basis of existing share capitalization) in 1939 to a high of 23 in 1941 in which year its earnings were $5.11 a share. Thus, at the highest price, it sold at but little over four times earnings — and wasn't worth it. Even with the war still on, earnings last year had slumped back to 68 cents a share, or the same as in 1937. They are still well above the average of the period 1936-1939, and the stock, around 9, is still somewhat over-priced on its apparent post-war potentialities.

The lesson should be taken to heart. Where war-period earnings are much above past average experience, as is the case for the stocks tabulated, why should holders wait until earnings shrinkage actually materializes before taking action? Even if the writer, for unforeseeable reasons, proves overly pessimistic on a few of these issues, certainly for the group as a whole there is no basis for expecting that a contraction in present earning power can be avoided.

Bath Iron Works

In 1937, when the market averages were substantially higher than now, the stock of Bath Iron Works, a long established shipbuilding concern, got no higher than 11⅞. That was too high, for the 1937 earnings were five cents a share, the highest profit in some years had been 78 cents a share in 1935, and no dividend was paid. The stock made a war-period high of 25¾ and now is 19⅝. Earnings have averaged well over $7 a share for the past three years and last year the dividend was $4. Not so very long ago, Savage Arms' figures looked similarly impressive. So far as this writer can see, the main difference is that the deflation of Bath Iron Works' earnings is still ahead.

Some of the small aircraft and aircraft parts makers, several of which are included in the tables, have had a h expansion of sales and earnings. With few exceptions, the outlook even for the largest and strongest companies in this industry is notably uncertain. What can be said of the "small fry?" Probably the less, the better. To be sure, they have had a build-up of working capital and book values, but such balance sheet figures are far less important considerations in stock appraisals than are prospective earnings and dividends. The stockholder at least has some chance to get part of the earnings, if any. He has, for all practical purposes, virtually no chance to get hold of any of the working capital; and the value in "book value" is just so much arithmetic on paper, rather than sums which could be realized in liquidation, if there were liquidation. Moreover, the working capital is subject to contraction as war-swollen claims and counter-claims "wash out."

Out of thirty-five stocks in the table, there were deficits for fourteen in the pre-war year 1937, when general business activity was at a cyclical top comparable to 1929, as measured by the Federal Reserve Board index. Thirteen others in 1937 had earnings of less than 50 cents a share. Only two had earnings over $1 a share. But taking the best war years, individually, not one had a deficit and only two had earnings of less than 50 cents a share. No less than twenty-five had earnings of $1 a share or more. Fourteen had earnings of over $2 a share; and seven had earnings of over $3 a share. The average profit of these companies in their best war-period year was approximately $1.89 a share, compared with an average of about 34 cents a share in 1937. That is a profit "inflation" much larger than would be shown by any random list of thirty-five leader-type corporations and it is typical of "marginal" situations in war-time.

The peace-time weaknesses, or uncertainties, affecting the great majority of these tabulated stocks are too obvious to require much comment. All of the coppers listed are high-cost producers and, in that sense, indubitably marginal. Patino Mines (tin) has had a picnic during the war. Over the longer-term, new tinplating methods will get satisfactory results with up to 75 per cent less tin than formerly used. The lesser makers of household equipment, with Air-Way Electric included merely as an example, will be up against most formidable competition. Few sugar companies earned good money before the war. Few will in future, after more normal supply-demand conditions are restored. Coal companies are having a quite unusual prosperity. Leather stocks are all pretty much in the same boat, with an unpromis- (*Please turn to page* 114)

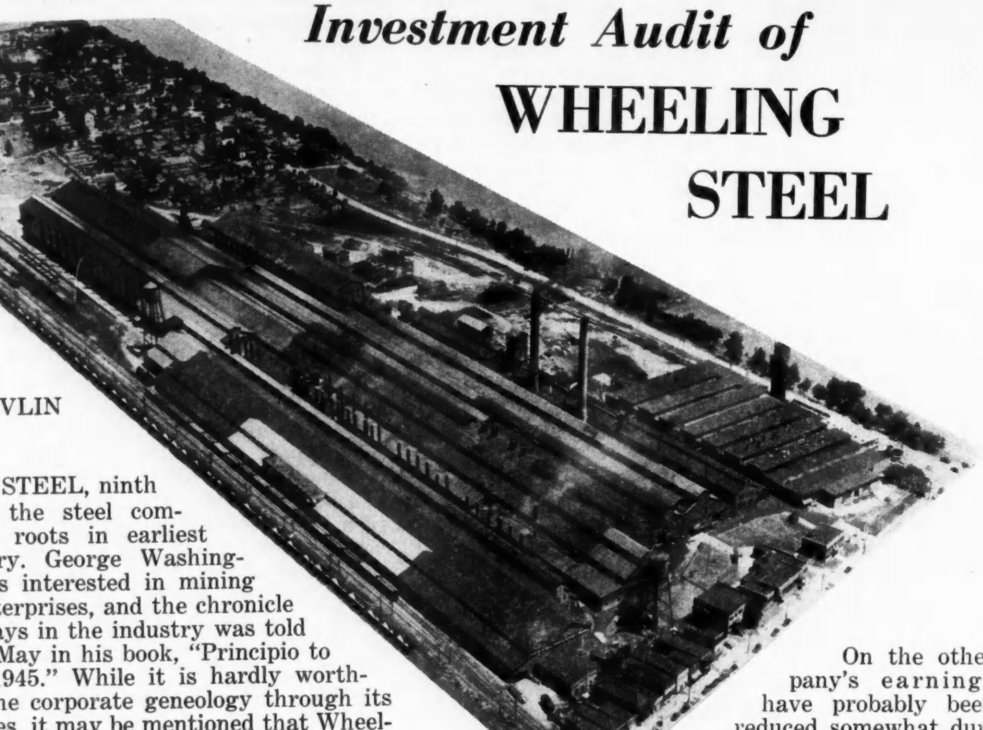
Statistics on Sales and Earnings per Share

(Sales in Millions)

	— Sales —		— Earnings —	
	1937	Highest War Year	1937	Highest War Year
Aero Supply	$1.41	$15.54	$0.52	$1.90
Air Associates	1.45	12.94	0.77	4.32
Air-Way Elec. App.	3.40	2.70	d 1.17	0.53
Amalgamated Leather	4.11	6.67	d 0.60	0.67
Am. Bosch	9.24	61.16	0.17	2.03
Am. Zinc, Lead & Smelt.	14.12	28.82	d 0.23	0.87
Austin, Nichols	18.90	25.50	d 2.08	2.41
Bath Iron Works	8.29	117.65	0.05	9.48
Bellanca Aircraft	1.59	6.22	0.69	3.01
Butte Copper & Zinc	* 0.13	* 0.51	0.17	0.30
Byers, A. M.	5.89	24.16	d 1.15	3.74
Eastern Stainless Steel	5.06	14.26	0.58	1.85
Federal Motors Truck	6.26	25.74	0.11	1.67
Gair Robert) Co.	21.66	26.27	0.19	0.80
Graham-Paige	13.10	21.10	d 0.76	0.31
Guantanamo Sugar	2.14	3.65	0.23	1.51
Inspiration Copper	11.12	13.72	1.55	1.92
Intercontinental Rubber	1.18	3.50	0.31	1.00
Manati Sugar	2.50	6.61	d 0.26	2.29
Martin-Parry	0.08	4.98	d 1.05	3.78
Patino Mines	# 1.10	# 2.84	0.49	4.09
Penn.-Dixie Cement	6.00	11.80	d 2.05	0.69
Pittsburgh Coal	#47.90	60.90	d 7.89	3.05
Real Silk Hosiery	11.87	14.06	d 0.56	2.00
Reo Motors	13.10	36.00	d 2.85	2.34
St. Regis Paper	14.87	48.39	0.22	0.71
Savage Arms	3.98	73.89	0.68	5.11
Sparks-Withington	6.89	36.29	0.49	0.87
Transue & Williams	2.80	17.20	0.67	4.16
Webster-Eisenlohr	4.25	7.85	d 0.56	1.40
Wilcox Oil	† 3.39	† 3.74	0.25	1.09
Willys-Overland	30.27	212.46	0.14	1.64

*—Total Income. #—Gross Income.
d—Deficit. †—Gross Operating Income.

Investment Audit of
WHEELING STEEL



Airview of the Yorkville, Ohio plant of Wheeling Steel

BY
STANLEY DEVLIN

WHEELING STEEL, ninth largest of the steel companies, has its roots in earliest American history. George Washington's family was interested in mining and smelting enterprises, and the chronicle of these early days in the industry was told by Earl Chapin May in his book, "Principio to Wheeling 1715-1945." While it is hardly worthwhile to trace the corporate geneology through its numerous changes, it may be mentioned that Wheeling Steel was incorporated in 1920 as a merger of three companies which had been incorporated in 1852, 1875 and 1892. Other companies have been acquired from time to time, and while Wheeling is principally an operating company, it has nine subsidiaries which are wholly-controlled; it also owns smaller interests in numerous other companies.

The three principal plants are along the Ohio River, affording good water-shipping facilities — one at Steubenville contributing some 51% of capacity, the Portsmouth plant 32% and Benwood (West Virginia) 17%. Most of the coal used is from the company's own reserves, but it has to buy part of its ore needs.

In recent years the company has obtained over half its blast furnace iron ore requirements from mines held under lease by other companies in which it has an interest (but which are not subsidiaries), about one-fifth from its own mines and the balance from other sources. The company's own ore reserves have a life of only about six years, according to some estimates.

The company normally makes a large proportion of "light" steel products — sheets, strip, tinplate, pipe and wire products. It also fabricates a large amount of finished steel into numerous consumer items, such as garbage cans, ash barrels, pails, shovels, metal lath, running boards for automobiles, etc. Many of these items are sold direct to jobbers or retailers. Because of the fact that much of its output went to small users of steel products, the company showed a good growth trend in the 1930s, its gross in 1937 and in 1939 exceeding that of 1929. It was also able to maintain a higher operating ratio than the industry as a whole, since the market for heavy steel goods was depressed during much of the 1930s.

On the other hand, the company's earnings have probably been reduced somewhat during the war by the fact that it has been making large amounts of relatively cheap steels for war uses. By the same token, a return to production of light steel should have opposite earnings implications.

Wheeling's costs are rather high because of the lay-out of its various plants, which require a good deal of cross-hauling of materials and semi-finished goods. On the other hand, it is able to get better than average prices for its products. Up to about 1938 the company was handicapped by the high cost of operating its old style hand mills, but since these were replaced with modern four-high rolling mills, profit margins have improved.

During the war the company has been making a large number of fabricated items required directly or indirectly by the armed forces or for lend-lease purposes, including bombs, bomb fins and crates, landing mats, "blitz" cans and other products. Its principal peace-time customers are the container industry, the building industry, the automotive companies and various jobbing outlets. During the three year period 1937 through 1939, sales of these products accounted for the following percentages of the corporation's total sales: Hot and cold rolled sheets, 28.4%; black plate and tin plate, 20.5%; galvanized sheets and roofing, 18.8%; pipe, 13.7%; wire and wire products, 13.3%; and other fabricated steel products, 5.3%. During the same period sales to the industries and outlets referred to above averaged, of total sales to the container industry, 19.1%; to the building industry, 11.5%; to the automotive industry, 10.5% and to the jobbing outlets, 33%.

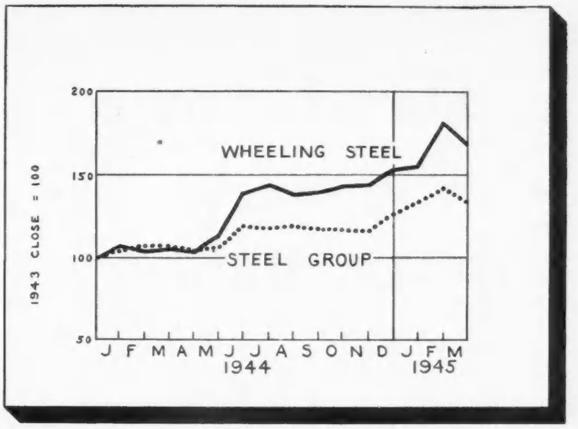
The company has an efficient selling organization. Its own sales are in relatively large tonnages and

to large buyers, goods being sold through a headquarters organization maintained at the general offices of the corporation in Wheeling, West Virginia, and through district sales offices maintained in important market areas. Sales through Wheeling Corrugating Company are made in relatively small lots to a large number of customers through warehouses maintained in important cities in favorable market areas, each warehouse being served by a selling organization. Sales of Ackermann Manufacturing Company (a subsidiary) are confined to steel stampings sold chiefly through commercial agents, at agreed rates of commission.

The steel industry, being mature, over-competitive and heavily bonded despite the cyclical character of the business, did not have a particularly happy time of it in the 1930s. Feast and famine periods alternated. High wages and taxes have held recent profits to modest proportions as compared with the big earnings of World War I. However, most steel companies, including Wheeling, have been able during the present war to rehabilitate their finances and acquire at least a modest financial backlog to carry them through a postwar readjustment.

The accompanying comparison of Wheeling's 1941-44 balance sheets shows that working capital improved $5,408,000, while long-term debt was cut $4.8 million during this period. Gross plant account increased by $9,044,000 though an increase in depreciation reserve to over 50% of property account resulted in a decrease in net plant amounting to $4,139,000. The wartime building program included installation of facilities for bonderizing black plate, and construction of an electro-tinning unit. A modern sintering plant, a car dumper, ore bridge, dry dock and a blast furnace turbo-blower were also among the construction items and improvements of the war period. Certain blast furnaces have been relined and various improvements made to increase their efficiency and capacity. The company increased its pig iron capacity because of the continued shortage of scrap metal.

Wheeling's financial history has been somewhat checkered due to the substantial amount of senior capital maintained in the business. In 1920 when



the present corporation was formed, there was a bonded debt of nearly $8,000,000, plus some $24,000,000 preferred A and B and common stock with a book value of about $53,000,000. In that year $22.78 per share was earned on the common stock. The short-lived depression which ensued carried the company into the red for a brief period. Earnings were fairly good in 1923 and 1925-9 — common stock earnings advancing to $13.30 in the latter year. However, bonded debt gradually increased and inventories remained at a high level, though dividends on the common stock were limited to modest payments in 1920-21 and 1929-30.

In 1931 the company went heavily into the red, and at this time the management took some action to scale down the unwieldy senior capital. A beginning was made toward whittling down the funded debt and an issue of 6% preferred stock was put out, replacing the old 8% and 10% issues. However, dividend requirements were not much reduced because 1½ shares of new stock were given for each share of old 10% "B" preferred. The common stock was reduced to a no-par basis and the amount was written down to balance the increase in the par value of preferred.

In July 1937, when arrears of $24 had accumulated on the preferred, holders were offered 1 share of new $5 convertible prior preferred plus ½ share of common for each share of old preferred with arrears.. The exchange offer finally expired in 1941 and the small balance of old preferred dividend was not paid in 1938, the small arrears were soon cleared up, and dividends on the common stock were iniated in 1941. The $1.50 rate paid in the past three years represents about one-third of the available earnings. In March 1945, Wheeling effected a refunding operation, replacing $30 million first 3½s and $2.4 million 1¾% notes with $24 million first 3¼s and $5 million 1½% bank loans. Interest charges were thereby re-
Interest charges were thereby reduced from $1,092,000 to $855,000.

(Please turn to page 112)

Pertinent Statistical Data

	1939	1940	1941	1942	1943	1944
Sales ($ mill.)	85.716	93.095	131.205	118.988	121.359	135.144
Depreciation & depletion ($ mill.)	4.796	4.884	5.238	5.272	5.970	6.144
Balance for common ($ mill.)*	3.200	3.774	6.223	2.626	2.524	2.569
Operating margin	8.4%	8.6%	13.1%	9.8%	6.6%	7.3%
Net profit margin	6.4	6.1	6.4	3.7	3.5	3.2
% earned on invested capital	7.1	7.6	14.9	10.3	7.3	8.9
Earned on common, per share	$ 6.40	$ 6.63	$11.71	$4.61	$ 4.43	$ 4.51
Earned on common, % of market price	18.3%	18.9%	33.4%	13.1%	12.6%	12.9%
Dividend rate	Nil	Nil	2.00	1.50	1.50	1.50
Dividend yield	——	——	5.7%	4.3%	4.3%	4.3%
Current asset value, per share	$79.35	$86.45	$92.26	$91.30	$94.51	$104.62
Book value, per share	76.43	82.19	87.99	91.12	94.06	96.98
Net current asset value, per share	65.07	65.43	76.43	76.55	80.68	85.92
Cash asset value, per share	3.90	3.88	14.88	16.98	25.47	31.68
Current Ratio	5.5	4.1	5.8	6.1	6.8	5.6

*After pfd. div. paid.

The Dynamic Potentials In The Rayon Industry

BY J. C. CLIFFORD

AS one of the important segments in the nation's productive arsenal, the rayon industry, while trying hard to sustain its role in the civilian economy, has established a fine record through its contributions to the war effort. This pressure to meet dual demands, resulting in expanded facilities and development of new processes, has further stimulated the industry's vigorous growth so notable during prewar years. While the outbreak of war interrupted well laid plans for exploitation of civilian markets on a large scale, improved capacity, scientific progress and strengthened treasuries enhance the postwar growth potentials of the synthetic fibre manufacturers. Recent strength in rayon shares, in more than one case registering top price for many years, reflects investor confidence in the ability of the industry to prosper in peace as well as in war.

Military requirements have immensely expanded rayon production since Pearl Harbor, with figures promising to reach record heights in 1945. Expressed in pounds, the relative annual totals have been: 1942 — 479 million, 1943 — 501 million, 1944 — 710 million, while estimates for 1945 production run up to about 800 million pounds. Urgent military demand for tire cords made of high tenacity yarn has been a strong factor in swelling production figures. Indeed, during the current year, manufacturers must supply an additional 240 million pounds of this material, forcing them to cut civilian output of other items by about half of this amount, and to construct new facilities to produce the balance, both of these steps involving heavy costs for converting machinery and large capital outlays for plant extension.

Synthetic yarns of course are used in a long list of other military items, including tarpaulins, tents, clothing, linings, and tow ropes for gliders. Civilian demand, in some prewar years exceeding productive capacity, has been intensified for the last three years by complete stoppage of silk imports from Japan and by restrictions on the use of wool. Net earnings from all this hugely expanded output, while generally about equalling amounts earned in near-prewar years, have been wholly disproportionate to the volume gains, due to the combined impacts of rising costs, price controls and EPT. On the whole, however, wartime earnings of the rayon industry have been eminently satisfactory and closely in line with the experience of all industries. The squeeze on net may become even more

American Viscose Photo

Winding rayon yarn from cakes to cones.

pronounced during 1945 because of conversion costs incident to increased military production, but investor appraisals now center largely on potentials of the approaching peace period when the trend of narrowing margins may be reversed.

Progress of the rayon industry before the war is really a story of a dramatic and long continued battle for supremacy among textile fibres, both natural and synthetic, already marked by victories and retreats and likely to cause further changes in our economic structure as time goes on. But industrial struggles of this kind inevitably benefit the general public by progressive improvement in products and a trend toward lower prices, for these factors are the main determinants of successful manufacturing achievement. Rayon for some years past has made serious inroads into the popularity of its competitors, outpassing wool in 1938, and sending silk into a nose dive as long ago as 1927.

Cotton Industry

The cotton industry likewise has felt the impact of synthetic fibres in the textile markets, although cotton linters feature importantly in the composition of the artificial material. Price advantage, however, has thus far enabled cotton goods fairly well to maintain a commanding lead, with 80% of all production to their credit. While rayon's relative percentage of 10% looks modest, its growth from a mere 1% in 1923 indicates a significant trend, and with the price of standard viscose staple fibre now at 25 cents a pound as against 21 cents for cotton, the battle lines draw closer. Perhaps the best evidence of rayon's onward march is that in 1942, consumption of rayon fabrics throughout the country averaged 53 yards for every woman over 20 years old, enough to make each one 12 dresses at 3½ yards per garment, or 500 million dresses in all. In actual experience, of course, the women did not enjoy all this luxury, as much of the material went into items for men and children, but the il-

lustration answers the purpose nevertheless. The real significance of the figures is that improvement in rayon quality and progressively lower prices have steadily increased its popularity as a light weight fabric to a point where it is no longer considered a substitute for silk, but rather a definite supplanter.

Mixtures of rayon with cotton or wool, where the synthetic yarn is either in the form of a continuous filament or spun from short staple fibre, are enjoying a great upward surge in popular favor. The latter type, of more recent development, is coming more and more into use for fabrics also embodying natural fibres in combination. Technological improvements have made possible the production of staple fibre in a dozen types of denier (thickness), from those used in tire cords down to a filament thinner than any silk. As these items can be cut accurately to any desired length, and when made by the viscose rather than the acetate process take the same dyes as cotton or wool, they can be spun with these natural fibres into fabrics of infinite design and unusual characteristics. Their strength and accuracy of dimension greatly benefits the textile manufacturer.

Spun Rayon

Clothing made of 100% spun rayon also promises to gain rapidly in popularity. In the single year of 1942 spun rayon suits replaced nearly 20% of the tropical worsted yardage formerly supreme in the field. The two types of material are almost identical in pattern and texture, but the synthetic garments are crease resistant and attract less dirt. Postwar years may develop a substantial market for men's all-year suits made of half wool and half rayon, and shirtings of 50% each from rayon and cotton are believed to be susceptible to preshrinking.

Filament yarn promises expanded usage for both men's and women's clothing of a more rugged type, as well as for carpets and rugs. Its strength, lately improved by stretching while still in viscous form, and its resistance to abrasion make it specially desirable for raincoats, overalls and sport clothes.

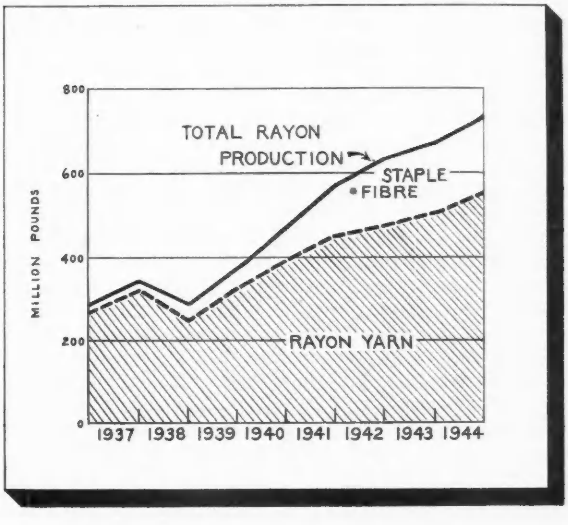
Rayon sheer goods, which so importantly bolster volume for their manufacturers, are made of fibres produced from the usual wood pulp or cotton linters but treated by the acetate process. In a normal year like 1941, production of this successful competitor with silk accounted for 36.3% of overall rayon output, although increased emphasis upon tire cord manufacture during war years has given the percentage a decided downward trend. Whether the trend will merely level off or again climb with the advent of peace will depend upon how well the synthetic tire cords hold their own against cotton cords.

While even in prewar years the synthetic cords were in almost universal use for heavy bus and truck tires, and have been absolutely essential for military use, price factors will largely determine their use on passenger cars and lighter trucks in the postwar era. The tremendous size of this potential market naturally will spur rayon makers to make every effort to retain and expand their war-won gains in this inviting field. The problem is important in view of the industry's recent heavy capital outlays for plants in which to make these cords. Technical advantages gained by the adaptation of rayon cords to synthetic rubber tires may assure large business for several years at least, until natural rubber again appears in ample supply, but in the long run price will outgeneral quality, although rayon cords will continue to fortify the heavier type of tires in any event. From the viewpoint of accident prevention alone, their relative advantage has been well proven.

By and large, the current position of the rayon industry is gratifying, and a substantial backlog of deferred demand should sustain postwar volume at or above prewar levels. Reconversion problems will be light, in fact almost negligible, and a better labor supply will correct the current bothersome shortage. In spite of many favorable factors, however, sight must not be lost of the extremely volatile character of the textile industry served by the rayon manufacturers. Variations in national income, to be sure, affect volume of this industry slightly less than the makers of durables, but the advantage is decidedly offset by other adverse factors inherent in the textile industry. Textile prices slip fast at the earliest sign of declining consumer income, sometimes threatening substantial inventory losses. Upon the approach of better times, however, buyers rush to load up with abnormal quantities of material before price inflation gets under way. These violent cyclical storms can hardly fail to affect the rayon industry. While the prospects for immediate postwar years seem promising, the longer range future must be viewed in the light not only of existing growth potentials but of cyclical fluctuations as well.

About 18 concerns, operating more than 30 plants mainly located in the Middle Atlantic and Southern Atlantic states adjacent to supplies of low-cost materials and fuel, produce the nation's supply of rayon yarn. While these companies have generally shared in the huge volume expansion engendered by the war, their individual performances have naturally varied. Limitations of space preclude analysis of all but the representative concerns featured in the accompanying table.

American Viscose Corporation, the dominant factor in the rayon yarn industry, has had an



amazing growth during the last decade, having financed from its own funds in that period over $68 million in new facilities. And the end is not yet in sight, for still further expansion will occur during the current year. Corresponding sharp increases in volume have featured the company's record, with 1944 sales topping $108 million compared with $101 million in the previous year. Its 1943 sales of rayon yarn and staple fibre amounted to 36% of the total domestic consumption, indicating the strong trade position enjoyed by the company. Earnings have varied greatly in past years and in spite of expanding volume, net has shown a declining trend since 1941, when $3.92 was earned on the common. In 1942, the figure fell to $3.20 and to $2.98 in 1943. Net profit of $5,129,000 in 1944 amounted to $2.28 on the common shares. Larger volume in 1945 may improve final net, especially as heavy conversion costs in preparing for production of additional high tenacity fibres for tire cords should not recur. Costs in 1944 shot up 11% compared with 1943, whereas the relative volume increase was only about 7%. In considering wartime earnings, it should be realized that the amortization of defense facilities within a five year period often, as in the case of American Viscose, shaves final net figures, but the company is the ultimate gainer. In any event, the current quarterly dividend rate of 50 cents a share appears well secured and its payment in 1945 would equal distributions at the previous three years' rate.

The Balance Sheet

Outlays of $9.4 millions for new facilities in 1944 were reflected by a drop of $3.7 million in working capital. Current liabilities increased by $6 million, the current ratio declining to 2.5% from 3.3% in 1943. With working capital of $44.5 million, however, to handle an annual volume of not much more than twice this sum, the very strong financial position of the company is obvious. A year-end inventory of $12.6 million is indicative of a turnover rate of about eight times annually, certainly an advantageous factor. Of total current assets amounting to $73.6 million, $50 million represent cash and Government securities, and as tax reserves, account for $20 million of the $29 million current liabilities, $30 million of net cash assets are available to cover the remaining $9 million accounts payable and other sundry items. The assets mentioned do not include postwar tax credits of $1.1 million. All in all, the condition of American Viscose is exceedingly sound, and its earning power even under pressure of war taxes has held up well. Interesting potentials are indicated for the common stock, notwithstanding preferred dividend priorities on annual earnings to the extent of $1.2 million.

Second Largest Unit

Celanese Corporation of America, second largest unit, and a leading maker of acetate yarns and staple fibre, experienced gains in both volume and net profit in 1944, with sales rising to $101 million against $94.5 in 1943, and with relative net earnings of $7.2 million compared with $6.2 million. Earnings per share of common in 1944 came to $2.86 against $2.83 in the preceding year. Capitalization was somewhat increased by declaration of a stock dividend in 1944, amounting to 1 share of common for each 70 shares held by stockholders, thus slightly distorting the earnings comparison. Not all of sales and earnings were derived from production of rayon, as since its consolidation with the Celluloid Corporation several years ago, Celanese has branched out extensively into important chemical activities. Since this merger in 1941, important additions to facilities have been made to expand capacity for rayon, plastics and chemicals, 1944 capital outlays for this purpose having amounted to over $6 million, and with further construction work still under way or planned.

Celanese is strongly financed, with working capital presently amounting to $51.6 million compared with $29.9 million in 1941. Part of this gain was achieved in 1944 by the sale of 350,000 shares of $4.75 preferred stock and 139,622 shares of common, producing a net sum of about $15 million, after providing for the retirement of old prior preferred stock at a premium of some $3.1 million, which was charged against earned surplus. Net earnings of Celanese, while in the long run very sensitive to changes in consumer income, have exhibited remarkable stability since 1939, averaging about $3.50 per share from that date through 1942 and declining only slightly during war years under the impact of rising costs and EPT. The current common dividend rate of $2 per share has been maintained since 1941 and earned by a comfortable margin in each year. Recent marked strength in the price of the common, establishing peak figures for many years past, reflect increasing confidence in the financial structure and growth potentials of this sound concern.

Industrial Rayon Corporation is the third most important unit in the field, with a plant capacity early in 1944 of 28 million pounds of standard yarns and 11 million pounds of high tenacity yarns. Urgent military (*Please turn to page* 108)

Statistical Position of the Rayon Companies

	Sales 1941	Sales 1944	Total Assets 1941	Total Assets 1944	Working Capital 1941	Working Capital 1944	Net Per Share 1936-39 Avge.	Net Per Share 1944	Div. 1944	Div. Yield	1944-45 Price Range	Recent Price	Price Earnings Ratio
Amer. Bemberg	*3.343	*3.860	9.857	11.061	4.065	3.772	2.42	2.88	1.00	4.0%	26 -19	25	8.6
Amer. Enka	*6.119	*7.430(a)	20.321	23.250(a)	8.051	10.185 a)	$5.28	4.60 E	3.50	4.7	73½-68½	73½	15.9
Amer. Viscose	80.549	108.483	128.659	151.933	48.288	44.543	2.34	2.28	2.00	4.1	49½-39½	48	21.0
Celanese	62.277	101.655	101.041	126.679	29.973	51.632	2.06	2.87	0.50(b)	5.5(c)	45⅜-31⅝	48¾	16.9
Industrial Rayon	19.152	22.432	27.317	39.628	7.453	3.634	1.17	1.85	2.00	4.1	48¾-35¼	48¾	26.3
North Amer. Rayon	12.814	16.516(a)	16.309	18.635	5.837	5.348	2.97	3.00	2.25	5.7	40 -28	39½	13.2
Tubize Rayon	*4.423	17.443	20.191	23.947	5.864	10.175	def 0.51	1.22	1.00	4.8	21⅜-15⅝	20½	16.8

*—Operating Profit. (a)—1943, 1944 not available. b)—Plus 3 shares for each 70 shares held. (c)—Based on cash + cash equiv. of stock dividends. E—Estimated.

Sound Equities With Good Yields

BY GEORGE W. MATHIS

MONEY rates are the lowest on record, with good corporate bonds yielding only about 2½-3% and preferred stocks being issued with dividend rates of 3½-4%. Theoretically, sound common stocks with their appreciation possibilities in an inflationary trend, should yield less than preferred stocks. This is, in fact, the case so far as many industrial equities are concerned — they are selling to yield 3-4%. In the utility list, the average yield is better, and even some of the better known utilities still offer attractive yields; this group has been handicapped by various regulatory troubles. Among the rail stocks, high yields are still the rule because of skepticism regarding the postwar prospects for the industry — even Pennsylvania Railroad, which has paid dividends for nearly 100 years, yields nearly 7%.

The accompanying table lists four railroad, seven utility and 15 diversified industrial stocks, yielding 5% or over, whose dividend and earnings records and financial set-up give the issues investment quality. There are a considerable number of other industrial stocks, of smaller or less well-known companies, which might be added to the list. For example, Scovill Mfg., Connecticut maker of brass products, has paid dividends since 1856 and offers a generous yield, but it has been excluded because it is relatively unknown to the average investor.

It is impossible within the available space to give complete data on the issues here selected, but following are some highlights of the record, position and prospects of these companies:

Pennsylvania Railroad within three years should be able to celebrate a century of continued dividend payments. Unlike most other railroads, its wartime earnings on a per share basis have not been very large for the same reason that it does not go into the red in bad years — it has a moderate funded debt, maintains a tremendous cash position and has an important subsidiary (Pennsylvania Company) in which it carries substantial hidden reserves. The railroad is the largest in the world, with revenues of over $1 billion in 1944. The stock is relatively stable as compared with other rail equities.

Some Stable-Earning Rails

Atchison is generally regarded as a premier rail from a financial standpoint. Management policies have been ultra-conservative, and despite an already sound debt structure the road has carried on a comprehensive program of debt retirement, expected to be furthered by redemption later this year of the remaining callable issues. Fixed charges have been reduced almost 40% since 1938. While the common stock record has been more variable than that of Pennsylvania and dividends were omitted in 1938-9, present earnings amount to several times the current dividend rate.

Chesapeake & Ohio is one of the most stable-earning railroads, due to the character of its traffic, which consists largely of good-quality soft coal transported in heavy trainloads. The road is conservatively capitalized and a good cash backlog is maintained, permitting generous dividends. Net earnings have not received much stimulus from war conditions, despite a gain in gross; however, maintenance expenditures have been stepped up.

Pittsburgh & Lake Erie is a less well-known issue, on the Curb Exchange, with a very long dividend record. It is a subsidiary of New York Central Railroad, connecting the West Virginia soft coal fields with Pittsburgh and Youngstown. Dividends are somewhat over-liberal in relation to earnings, but the road maintains a good cash position. It is exceptional in that it has practically no funded or floating debt and no preferred stock.

Sound Utilities

Consolidated Edison controls the biggest integrated electric and gas system in the world, gas contributing about 15% of gross and 11% of net. Cash is usually maintained at a high level and the company's debt is conservative as compared with the average for the industry. Relatively high operating costs and a substantial amount of preferred stock give the common stock some market leverage. The dividend is liberal, being currently earned with only a small margin. The company is working on a broad merger-refunding program.

Boston Edison is an old-line company with a conservative set-up. Growth possibilities are rather limited and the dividend rate is fairly high in relation to earnings which, however, have been remarkably steady in the past decade. The stock is obviously popular with New England investors.

Consolidated Gas of Baltimore has had a very sound record and the present dividend rate has been paid for 13 years. The low rates on senior capital — 2¾% bonds and 4% preferred stock—indicate the company's high credit standing. Earnings have been very steady and depreciation charges are ample.

Cleveland Electric Illuminating is controlled by North American Company through ownership of 80% of the common stock. Earnings have declined somewhat in recent years and the dividend rate has been reduced from $2.50 to $2.00 which was covered with only a small margin last year, after deducting special reserves. But rates are well below the national average and finances are in good order.

Pacific Gas & Electric, largest Pacific Coast utility, has had conservative accounting and financial policies. The company has had some difficulties over the handling of Hetch-Hetchy power, but this does

not appear to be a serious factor in the outlook. Gas rates may be reduced but gas sales constitute only a little over one-quarter of revenues. Proposals regarding customer refunds, based on excess profits tax payments, appear to have abated.

Philadelphia Electric was partially recapitalized in 1943 in connection with the distribution of United Gas Improvement Co.'s principal holdings. The stock is evidently well regarded by investors, as indicated by the success of United Corp. last November in tendering its holdings of Philadelphia Electric (plus cash) for its own preferred stock.

American Tel. & Tel. has never reduced its dividend rate and the present $9 rate has been maintained for many years regardless of earnings fluctuations. While current earnings are running slightly under the dividend due to heavy taxes, cash position is bolstered by the very heavy depreciation charge (cash recently exceeded $452 million). Tax relief after the war should help restore earnings.

Eaton Mfg. Co., a leading auto parts company, has paid the present $3 dividend since 1940. Capitalization consists only of 703,646 shares of common stock. A good cash position has been maintained, and dividends have been paid in each year since the company was formed 22 years ago. While now largely in war work, the company should remain busy in the postwar period, following reconversion.

Mack Trucks is one of the biggest producers of heavy duty trucks, with only 597,335 shares of common stock outstanding. The company has for years maintained an impressive working capital position; at the end of 1944 net working capital amounted to about $50 a share and book value was nearly $76. Due to the vagaries of the truck business, earnings have been somewhat irregular but dividends have been maintained at varying rates since 1922, the rate being $3 in recent years.

National Biscuit is the largest cracker maker in the world and is one of the old "blue-ribbon" stocks, most of which yield around 3-4%. The company maintains a very strong cash position, which has permitted liberal dividends. Earnings have shown somewhat of a declining trend but have been stable in recent years.

Other High-Yielding Industrials

Texas Gulf Sulphur produces about half the U. S. output of sulphur and due to the stable price of the product over the past 15 years, earnings and dividends have remained quite steady. Cash at the end of 1943 amounted to 2.7 times debts. Increasing use of sulphur in the chemical industries gives the business greater stability.

Lehn & Fink is a medium sized maker of pharmaceuticals, drug specialties and cosmetics. Capitalization consists only of 396,700 shares of common stock. The cash position is rather low but dividends do not appear excessive in relation to earnings.

Commercial Investment Trust is the biggest finance company in the world. Despite temporary loss of the important automobile financing business, the company has been able to diversify to some extent, and share earnings have been well sustained considering the drastic change in business conditions. The company maintains a large cash position — $81 million at the end of 1944 — and the financial policy is conservative. Postwar outlook should be excellent.

Ingersoll Rand is an old-line producer of special machinery used in mining, heavy construction, petroleum, shipbuilding, etc. The company has always followed a conservative financial policy with the result that dividends have been maintained since 1910.

Loew's is not only one of the largest but one of the best-integrated of the motion picture companies. It produces, distributes, and exhibits features, short subjects and newsreels, under the name Metro-Goldwyn-Mayer. Subsidiaries publish sheet music, run a vaudeville booking office, operate an important broadcasting station and distribute pictures in London and other foreign countries. While other companies encountered serious financial difficulties in the early 1930s, Loew's continued to earn money in 1932. Dividends have been omitted only once in over 20 years. The present rate is conservative in relation to earnings. The company has for some years maintained a strong cash position, cash assets being sufficient to pay current liabilities. While the company has a moderate sized bond issue ahead of the common stock, this results in modest leverage for the common without apparently endangering dividends.

(*Please turn to page* 110)

RAILS	Price About	1944 Div.	Yield About	1944 Earn.	Price Earn. Ratio	Approx. 1944-45 Range	Div. Paid Since
Pennsylvania R. R.	37	$2.50	6.8%	$4.92	7.5	38-26	1848
Atchison	90	6.00	6.7	19.91	4.5	90-54	1940
Ches. & Ohio	50	3.50	7.0	3.57	14.0	55-44	1922
Pitts. & Lake Erie	70	5.00	7.2	5.20	13.5	76-56	1886
UTILITIES							
Cons. Edison	27	1.60	6.0	1.70	15.9	27-21	1893
Boston Edison	40	2.00	5.0	2.11	19.0	41-33	1897
Cons. Gas of Balt.	70	3.60	5.2	4.33	16.2	73-64	1910
Cleve. Elec. Illum.	40	2.00	5.0	2.05	19.6	41-31	1902
Pacific Gas & Elec.	36	2.00	5.6	2.18	16.6	37-30	1919
Phila. Electric	24	1.20	5.0	1.50	16.1	26-19	1902
Amer. Tel. & Tel.	163	9.00	5.5	8.76	18.7	165-156	1881
INDUSTRIALS							
Eaton Mfg. Co.	54	3.00	5.6	5.31	10.2	57-41	1923
Mack Trucks	54	3.00	5.6	6.00	9.0	56-34	1922
National Biscuit	24	1.20	5.0	1.16	20.7	26-20	1899
Texas Gulf Sulphur	39	2.50	6.4	2.51	15.6	40-33	1921
Lehn & Fink	22	1.40	6.4	1.76	12.5	24-18	1925
Commercial Inv. Trust	47	2.55	5.4	2.10	22.5	47-40	1924
Ingersoll Rand	113	6.00	5.3	6.00 E	18.8	120-89	1910
Loew's	78	4.00	5.1	8.69	9.0	80-58	1923
Best Foods	18	1.00	5.6	2.25	8.0	19-15	1927
Pullman	50	3.00	6.0	3.90	12.8	52-38	1867
Union Tank Car	31	2.00	6.5	2.18	14.3	34-26	1914
Kroger Grocery	38	2.00	5.3	2.80	13.6	42-32	1902
Shattuck, F. G.	14	1.00	7.2	1.11	12.6	15-9	1925
Colgate-Palmolive	33	1.75	5.3	3.00 E	11.0	35-24	1895
American Snuff	43	2.40	5.6	2.16	20.0	46-39	1903

E—Estimated.

Comparing . . .
Canada Dry with Pepsi-Cola

BY RICHARD COLSTON

THIRSTY war workers and members of the Armed Forces have helped to raise sales of the soft drink industry to all time highs in 1944, and it might be added that distributors of more potent beverages also have done extremely well. Sometimes the two go together.

That volume for carbonated drinks in the low price class has been maintained at high levels is interesting, in view of multiple restrictions on supplies of sugar, bottles, closures and containers which are plaguing the manufacturers of soft drinks. It doubtless is attributable to a high percentage of military demand, outside of regular civilian quotas. The Government has wisely recognized the importance upon both health and morale of soldiers and sailors in making available for them substantial supplies of their favorite light, cool drinks in all climates and parts of the world. Here at home, a high level of consumer income equally stimulated the call for popular thirst quenchers, so that all in all manufacturers have certainly been busy.

Two strong concerns, Canada Dry and Pepsi Cola, each with assets over $20 million and handling beverages of wide popularity, have enjoyed marked growth for a number of years past, and a study of their relative positions under prevailing circumstances, as well as of their potentials, is of timely interest. Canada Dry's most important contributor to volume is, of course, its well known ginger ale, normally supplemented by sales of other soft drinks, and importantly assisted by distribution of Scotch whiskey and other liquors. Pepsi Cola concentrates its efforts on the "big bottle" drink associated with its name.

Both concerns are important units in an industry noted for normal stability and simplicity of operation but subject to high selling costs and keen competition for public favor. During war years, furthermore, both have experienced many similar problems, but have emerged to their relative current positions as a result of somewhat differing policies. Investor approval of performance and potentials has recently established peak prices of many years for the two issues of common stock. For analysis of their relative statistical position, the appended table contains useful data.

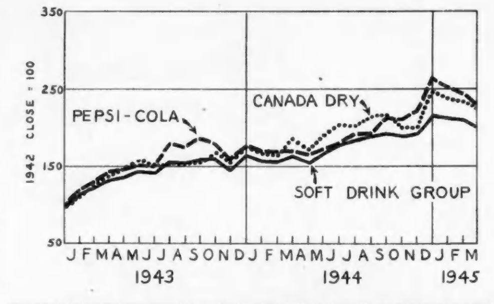
Because the use of soft drinks has become a national habit, beverage manufacturers, unlike sellers of many other items, are not seriously affected by cyclical changes in consumer income. The lower the unit price of the drink the more stable the demand, because even in times of severe depression, there is always a market for a five or ten cent drink where normally choice would have dictated a more expensive outlay. Promotional activities of the leading soft drink makers have at the same time so widened their markets that for many years past consumer demand has shown a steady upward trend. Distribution is accomplished largely through widely decentralized bottlers, either independent or owned by the parent manufacturer, as this policy permits shipments of concentrated syrups rather than heavy bottled goods. Most soft drinks are 95% water, thus the saving in shipping expense is obvious.

Canada Dry operates 24 plants and distributes through 160 licensed bottling concerns in the United States and in a number of foreign countries. Pepsi-Cola sells to a much larger clientele, including 480 domestic bottlers and 95 in Canada, not to mention others in South America, Asia and Africa. It also owns subsidiary distributors in England, Cuba and Mexico. Broadening policies of integration, the company now manufactures many of its crowns and bottle caps, as well as wooden shipping boxes, and with eye on sugar supplies has bought a large sugar plantation and refinery in Cuba. This latter concern, Mantanzas Sugar Estates, Inc., although a profitable investment, has been obliged to sell its entire output

to the Cuban Government, leaving its parent still subject to the handicaps of allocation.

While supply shortages during war years has checked the growth of some soft drink manufacturers, Canada Dry's 1944 volume of $31 million was an all time peak, representing for the twelfth consecutive year a steady year to year gain from a level of $6.2 in 1933. About 41% of last year's volume was derived from sales of alcoholic liquors, including imports of Johnny Walker scotch, Daiquiri rum, Cinzano vermouth, and substantial amounts of Hollaway gin made in the United States by a Canada Dry subsidiary. 59% of sales consisted of the company's major specialty, ginger ale, supplemented by sparkling water, a cola drink called Spur, Tom Collins Mix and a full line of flavored drinks. As a matter of wise policy, however, Canada Dry has extensively curtailed production of its sweetened lines during war-time shortage of sugar and corn-syrup to concentrate on the huge demand for its other products.

Pepsi-Cola's volume for 1944 has not been disclosed in its annual report, but an increase during last year of about $400,000 in pretax earnings probably points to an increase in sales compared with the 1943 volume of $48 million. In any event, a considerably larger business than Canada Dry enjoys is indicated, and is entirely derived from sources involving soft drinks only. While Pepsi-Cola is an outgrowth of Loft Candy Co., it disposed of its interests in this concern several years ago and completed its severance from the candy field in 1943 by sale of its interest in Happiness Candy Co. Results have proven the wisdom of these policies, embodying concentration on its one widely



advertised product, the 12 ounce cola drink retailing for a nickel. Sales growth of Pepsi-Cola has been rapid, rising to its present volume from $18 million in 1939. Current volume of both these important soft drink manufacturers may be somewhat hampered by further recent cuts in sugar quotas, for the first quarter of 1945 reduced to 70% of 1941 use, but only time can tell whether or not increased military demand can offset this adverse factor.

Capitalization of both concerns is relatively simple, with no funded debt existing in either case. Canada Dry has outstanding 604,157 shares of $5 par common and has recently sold 50,429 shares of no par $4.25 preferred, convertible into common at $40 a share until 1950 and at $45 a share for the succeeding five years. Pepsi-Cola, as a result of a recent three to one split-up, has now outstanding 5,752,659 shares of 33⅓ cents par common, and in discussing figures of prior years corresponding adjustments will be necessary. Canada Dry's sale of new preferred stock, while not reflected in the 1944 balance sheet, will importantly add to current working capital, and also establish an annual priority on net earnings of $214,200 in considering amounts available for the common. While preferred dividends will equal 35 cents per share on the common, stockholders approved the measure because of broad potential increase in earnings through the use of the new capital in postwar years, when Canada Dry plans to expand greatly its sales outlets both at home and abroad.

1944 net earnings per share of common for Canada Dry and Pepsi-Cola respectively were $2.34 and $1.02, with total net earnings $1.4 million against $5.8 million. Pepsi-Cola, therefore, earned nearly four times as much as Canada Dry, although its volume as presumed in this study was only about 60% greater, reflecting a wide difference in profit margins. Pretax earnings of Canada Dry amounted to $3.9 against $13 million of Pepsi-Cola or equal to $6.41 and $2.28 per share respectively, and the relative toll of EPT alone was $3.16 and $.74. If relieved of the Excess Profits Tax, as may occur in postwar years, Canada Dry's net per share would have been $5.50 and Pepsi-Cola's corresponding figure $1.76.

A comparison of selling, advertising and other expenses of the two companies reveals interesting figures. Canada Dry's $11.6 (*Please turn to page* 113)

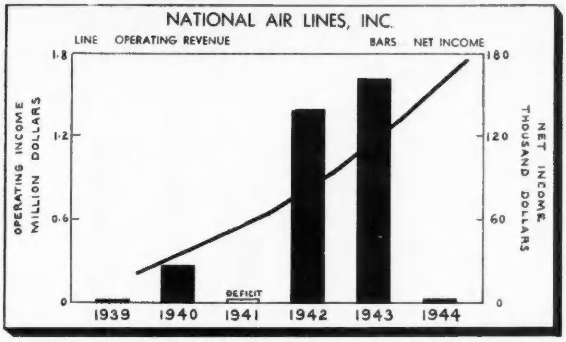
Comparative Statistical Data

(Figures in $ million—unless otherwise indicated)

	Canada Dry	Pepsi Cola
CAPITALIZATION:		
Pref. stock at market	—(d)	—
Common stock at market	21.140	138.048
No. of shares (in thousands)	604	5.752
Recent price	35	24
Total capitalization	21.140	138.048
Long term debt	—	0.134
INCOME ACCOUNT:	9-30-44	12-31-44
Sales	31.508	Not Avail.
Gross Profit	15.557	26.716
Depreciation	0.525	0.808
Taxes	2.527	7.140
Balance for common	1.411	5.871
Gross margin	12.3%	—
Net profit margin	4.4%	—
% earned on total capitalization	27.0%	74.5%
Earned on common, per share	$ 2.34	$ 1.02
Earned on common, % of market price	6.6%	4.2%
1936-43 average earnings per share	1.73	0.95 (a)
dto., % of market price	4.9%	4.0%
Dividend rate	$ 1.00	$ 2.50 (b)
Dividend yield	2.8%	3.4%(c)
BALANCE SHEET:	9-30-44	12-31-44
Cash assets	4.549	6.777
Receivables, net	1.226	1.135
Inventories, net	4.406	6.418
Current Assets	10.181	14.330
Current Liabilities	4.005	5.899
Net current assets	6.176	8.431
Fixed assets, net	3.106	10.052
Total assets	20.990	28.102
Current asset value, per share	$16.85	$ 2.49
Book value, per share	$24.15	$ 3.03
Net current asset value, per share	$10.22	$ 1.46
Cash asset value, per share	$ 7.53	$ 1.17
RATIOS:		
Current Ratio	2.5	2.4
Inventories, % of sales	14.0%	—
Inventories, % of current assets	43.2%	44.8%
Depreciation, % of net fixed assets	17.0%	8.0%
Sales, % of total market value of common	149.3%	—
Price-Earnings Ratio	14.9	23.5

(a)—Adjusted for 3 for 1 split, 1937-43 Avge. (b)—Before 3 for 1 split. (c)—Adjusted. (d)—Sold 50,429 shares $4¼ pfd. in 1945.

Newcomers On The N. Y. Stock Exchange



BUSINESS: This rapidly growing concern made its start by operating a route between Jacksonville, Florida, and New Orleans, La. In February, 1944, the Civil Aeronautics Board granted it a route to New York City from Jacksonville, via Savannah, Charleston, Norfolk, Wilmington and Philadelphia. Additionally, the company has applied for routes leading to both Texas and to Carribean points. On October 1, 1944, National began to operate its New York route with two flights daily, facilitated by Government allocation of 10 military counterparts of the Lockheed Lodestar converted for commercial use. The company has placed orders for 16 CW-20 transport planes with Curtiss-Wright, involving $5 million, with deliveries to begin in 1945.

OUTLOOK: In its Florida-New York service, National directly competes with Eastern Air Lines, but expanding air traffic between these points promises to sustain both companies. While gross revenues have increased every year since the start of operations in 1937, overhead and high operating expenses have sharply cut into net. Expanding route mileage and additional equipment, with attendant increase in passenger and mail revenues, may widen profit margins considerably, although normal traffic between the North and Florida has seasonal fluctuations. Proposed extension of routes to Cuba would be an advantage, in connection with presently established traffic between New York-Jacksonville and New Orleans.

COMMENT: National has earned a small profit on its 500,000 shares of $1 par common since 1938, although heavy expenses of starting the New York Service caused a small deficit for the 6 months ended December 31, 1944. Dividends are unlikely until capital resources have been built up and more substantial earning power established. Current year's operations should show marked improvement in gross revenues, however. While highly speculative, National common has long-range potentials for growth appreciation, although the current price seems to have liberally discounted these.

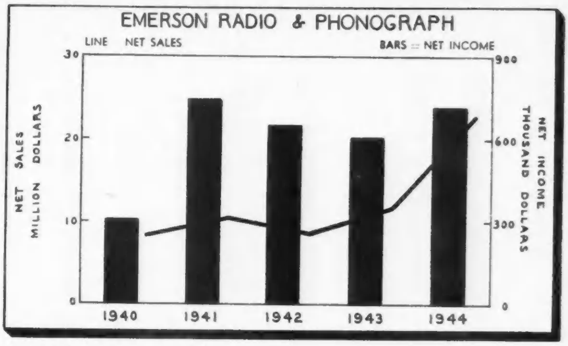
MARKET ACTION: Recent price—17¼ compared with 1945 high of 19¼. The stock's speculative character should make for marked volatility.

COMPARATIVE BALANCE SHEET ITEMS

($ millions)

ASSETS	June 30 1941	June 30 1944	Change
Cash	0.132	1.881	+1.749
Receivables, net	0.093	0.252	+0.159
Inventories, net	0.063	0.065	+0.002
TOTAL CURRENT ASSETS	0.288	2.198	+1.910
Plant & equipment	0.470	0.841	+0.371
Less depreciation	0.116	0.315	+0.199
Net property	0.354	0.526	+0.172
Other assets	0.138	0.045	—0.093
TOTAL ASSETS	0.780	2.769	+1.989
LIABILITIES			
Accts. payable & accruals	0.086	0.392	+0.306
Reserve for taxes	—	0.042	+0.042
Other current liabilities	—	—	—
TOTAL CURRENT LIABILITIES	0.086	0.434	+0.348
Deferred liabilities	0.001	0.023	+0.022
Long term debt	0.090	—	—0.090
Stock Premium	0.310	—	—0.310
Capital	0.270	0.500	+0.230
Surplus	0.023	1.812	+1.789
TOTAL LIABILITIES	0.780	2.769	+1.989
WORKING CAPITAL	0.202	1.764	+1.562
Current Ratio	3.3	5.0	+1.7

Thumbnail Stock Appraisal



BUSINESS: Emerson Radio enjoys an experience of 20 years in its field, with an impressive record of growth since 1933 when it concentrated production upon small, popular-priced radios. At the outbreak of war, Emerson halted civilian output to focus all manufacturing facilities upon production of electronic equipment for the Armed Services. Volume rose rapidly during the past three years, from $8,991,000 in 1942 to a 1945 peak of $23 million. Prewar distribution of its products was accomplished by some 20,000 dealer outlets, most of whom Emerson expects to reestablish with the resumption of postwar business. Expenditures of over $1 million for research in 1944 represent constructive outlays which will benefit postwar expansion of the company into the field of television.

OUTLOOK: As postwar competition will be keen among makers of radio receiving sets, Emerson plans to diversify its production with newly designed hearing aids, two-way communication devices and special industrial equipment. A large deferred demand for radios, of which Emerson sold over 1 million in each of the three years prior to Pearl Harbor, should importantly sustain volume after the termination of war contracts. Reconversion problems will be negligible, and present facilities will require no extension. Emerson should be able to resume rapidly its position as one of the leaders in the manufacture of radio and phonograph equipment which it enjoyed before the war.

COMMENT: Earnings on 400,000 shares for the last four years have ranged rather closely between $1.50 and $1.90, regardless of widely differing volume during the period. Rising costs and EPT held 1944 net to $1.82 per share, with volume of $23 million double the 1943 figures. Dividends paid in 1944 were 60 cents per share plus an extra of 30 cents. Working capital of $2,700,000 appears ample, considering available unused credit of $6,250,000 on a V-T loan. By the terms of the latter, extra dividends are limited to 50% of net earnings exceeding $1.20 per share, until the loan has been fully liquidated.

MARKET ACTION: Recent price—20⅞ compared with high for the year of 25 and a 1944 range of 12-18½. Cyclical influences normally tend to increase volatility of the stock.

COMPARATIVE BALANCE SHEET ITEMS

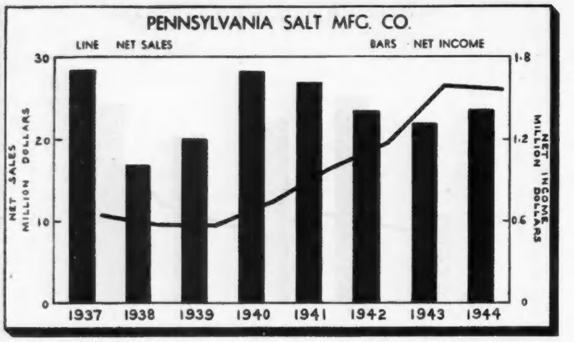
($ millions)

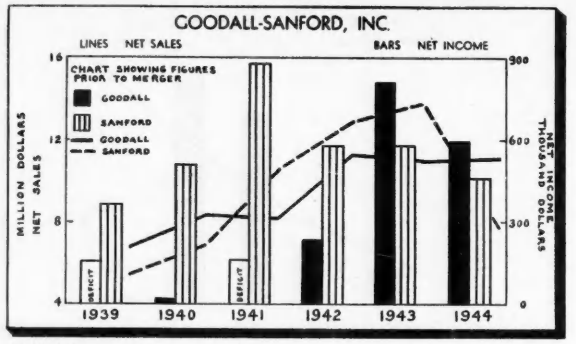
ASSETS	May 31 1943*	Oct. 31 1944	Change
Cash	1.452	1.992	+0.540
U. S. Government securities	0.890	2.500	+1.610
Receivables, net	0.957(a)	4.035(b)	+3.078
Inventories, net	2.218	4.587	+2.369
Other current assets	0.037	0.058	+0.021
TOTAL CURRENT ASSETS	5.554	13.172	+7.618
Plant & equipment	0.154	0.190	+0.036
Less depreciation	0.100	0.123	+0.023
Net property	0.054	0.067	+0.013
Other assets	0.378	0.674	+0.296
TOTAL ASSETS	5.986	13.913	+7.927
LIABILITIES			
Notes payable	—	3.750	+3.750
Accts. payable & accruals	1.110	2.946	+1.836
Reserve for taxes	1.853	3.690	+1.837
Other current liabilities	—	—	—
TOTAL CURRENT LIABILITIES	2.963	10.386	+7.423
Capital	2.000	2.000	—
Surplus	1.023	1.527	+0.504
TOTAL LIABILITIES	5.986	13.913	+7.927
WORKING CAPITAL	2.591	2.786	+0.195
Current Ratio	1.8	1.2	—0.6

(a) .8 mill due from U. S. Government.
(b) 3.9 mill due from U. S. Government.
* No prior balance sheets published.

Thumbnail Stock Appraisal

Newcomers On The N. Y. Stock Exchange





BUSINESS: With a business record extending back for almost 100 years, during 81 years of which dividends have been paid without interruption, Pennsylvania Salt enjoys a strong position in our industrial roster. As an outgrowth of its original salt business, the company long ago began to specialize in the production of alkali, and has since broadened into an important and well diversified producer of many chemicals. Among other items are chlorine, caustic soda, cleaning fluids, and insecticides. Kryolith, of which the company is the sole importer, is essential to many important industries such as aluminum, glass and enamel-ware. Military demand for the last three years has largely absorbed production from Pennsylvania's six plants as well as from three more plants operated by it for the Government.

OUTLOOK: By serving at least 20 industrial groups with important heavy chemicals, Pennsylvania Salt is benefited by well diversified markets for its numerous products. This factor which in prewar years tended considerably to stabilize volume and earning power, also enhances its postwar outlook. The strategic location of plants in Pennsylvania, Michigan, Washington, Oregon and in other states is an advantage from the viewpoint of distribution. In 1944, the purchase of a calcium arsenate plant in Texas expanded sales potentials of insecticides in this important cotton growing area. Substantial other additions to facilities during wartime should be fully utilized during postwar years to meet the broadening demand of manufacturers and farmers for the company's specialized output.

COMMENT: While earnings have varied somewhat from year to year, even the depression years of 1932-33 did not put the company "in the red." Dividend payments have been consistently liberal, in a number of years largely exceeding current earnings, but justified by an excellent financial position. For a long time prior to listing on the "Big Board," the stock enjoyed "blue chip" prestige on the Curb. A five to one split-up in 1944 fractioned the former price but not the investment quality of the stock. The current dividend of $1.20 per share is believed to be amply earned.

MARKET ACTION: $37\frac{5}{8}$ compared with 1945 high of 40 and a 1936-44 range of $38\frac{1}{2}$-$22\frac{5}{8}$ (adjusted). Volatility of the stock is less than average.

COMPARATIVE BALANCE SHEET ITEMS
$ millions)

ASSETS	June 30 1941	June 30 1944	Change
Cash	4.683	3.371	—1.312
Marketable securities	1.070	——	—1.070
Receivables, net	1.946	2.445	+0.499
Inventories, net	3.433	4.175	+0.742
Other current assets	——	——	——
TOTAL CURRENT ASSETS	11.132	9.991	—1.141
Plant & equipment	20.612	25.866	+5.254
Less depreciation	12.171	15.229	+3.058
Net property	8.441	10.637	+2.196
Other assets	2.028	3.251	+1.223
TOTAL ASSETS	21.601	23.879	+2.278
LIABILITIES			
Accts. payable & accruals	1.238	1.609	+0.371
Rerserve for taxes	1.869	1.827	—0.042
Other current liabilities	0.288	——	—0.288
TOTAL CURRENT LIABILITIES	3.395	3.436	+0.041
Deferred liabilities	——	0.307	+0.307
Reserves	0.836	1.481	+0.645
Capital	7.500	7.500	——
Surplus	9.870	11.155	+1.285
TOTAL LIABILITIES	21.601	23.879	+2.278
WORKING CAPITAL	7.737	6.555	—1.182
Curret Ratio	3.2	2.9	—0.3

Thumbnail Stock Appraisal

BUSINESS: New in name only, this concern constitutes a recent merger of two long established textile mills, Goodall Worsted and Sanford Mills. Both of these mills owe their origin to a textile enterprise started in 1867, in Sanford, Maine. The merger rejoins under one management two manufacturers producing different lines of woven goods. Sanford concentrates on plush fabrics, sold mainly to the automobile, railroad and furniture industries, while Goodall specializes in light-weight suitings and similar material, and owns the trademark protecting the well-known "Palm Beach" name. Prewar combined sales of the two concerns show consistent growth from $11.8 million in 1938 to nearly $25 million in 1943 when military demand had largely swelled volume figures, and as it continues to do.

OUTLOOK: Specialization in textile production to meet particular trade requirements has proved advantageous to both concerns and strongly entrenched them in their respective markets. Goodall even operates plants in the far South where it tailors its light summer suitings for sale to retail stores. Deferred demand from civilian sources for such goods has reached large proportions, while prospective postwar booms in the automobile, railroad and household furnishing industries additionally warrant optimistic appraisal of the postwar outlook. Potential economies under combined operation, with merged executive experience, point to prosperous postwar business for the new concern.

COMMENT: Important changes in management led to improved volume and earnings since 1942. Combined sales of $21 million in 1937, with combined net earnings of $3.46 per share adjusted to present stock) dropped to relative figures of $11.8 million and $.07 per share in 1938, and continued rather unimpressive until 1942. In 1942 and 1943 net jumped to well over $2 per share, and final figures for 1944 should show the improvement well sustained. Capitalization under the merger consists of $4,699,560 $3\frac{1}{2}$ debentures and 555,952 shares of common, on which the annual dividend rate is $1.50.

MARKET ACTION: Recent price—$26\frac{1}{2}$ compared with a range of $25\frac{1}{8}$-30 during 1945. Cyclical influences are likely to produce above average long-range volatility of the stock.

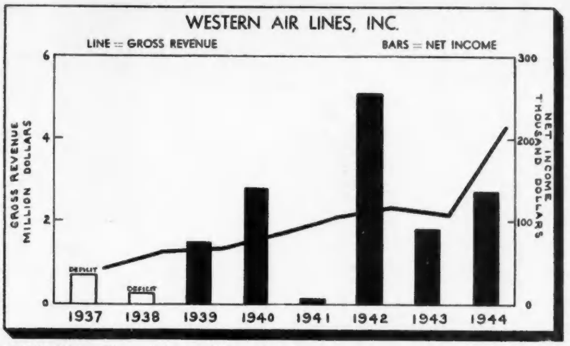
COMPARATIVE BALANCE SHEET ITEMS
($ millions)

ASSETS	July 31 1944
Cash	7.748
Marketable securities	1.047
Receivables, net	1.832
Inventories, net	7.133
Other current assets	——
TOTAL CURRENT ASSETS	17.760
Plant & equipment	12.483
Less depreciation	6.303
Net property	6.180
Other assets	0.359
TOTAL ASSETS	24.299
LIABILITIES	
Accts. payable & accruals	0.851
Rerserve for taxes	1.620
Other current liabilities	0.042
TOTAL CURRENT LIABILITIES	2.513
Long term debt	4.700
Reserves	——
Capital	5.559
Surplus	11.527
TOTAL LIABILITIES	24.299
WORKING CAPITAL	15.247
Curret Ratio	7.0

*Merger of Sanford Mills into Goodall Worsted Co. under title of Goodall-Sanford, Inc. was declared effective Oct. 26, 1944.

Thumbnail Stock Appraisal

Newcomers On The N. Y. Stock Exchange



BUSINESS: The oldest airline in the country, incorporated in 1928, and operating from Los Angeles to San Diego, California, San Francisco, Great Falls, Montana, Salt Lake City, Utah, and Lethbridge, Canada. Government action reduced the peak route mileage of the company from 4,716 miles in 1930 to 1258 miles until 1944, when acquisition of Inland Air Lines expanded route mileage to 4109 miles. In 1934, Western was obliged to divest itself of a 47½% interest in Transcontinental and Western Air, distributing the stock and some cash proceeds as a dividend. Wartime operations of the company have established remarkable efficiency in completing over 3000 cargo trips to Alaska for the Air Transport Command without damage to a single plane.

OUTLOOK: Award of the Los Angeles-Denver route to Western by the Civil Aeronautics Board, with consequent opportunity to participate in transcontinental traffic formerly limited to an exchange of equipment with United Airlines at Salt Lake City, marks a significant step in its growth. The new route will cut coast to coast flying time by four hours. Aggressive policies have lead Western to apply for many other routes, such as from Los Angeles to Mexico-Panama, Buenos Aires, Honolulu, Alaska, and from Denver to Minneapolis. Growth potentials for earnings will be substantial when Western can supplement its presently owned 11 DC-3s and 2 Lockheed Lodestars with 5 Douglas DC-4s and 5 Douglas DC-6s now on order and to cost nearly $5 million.

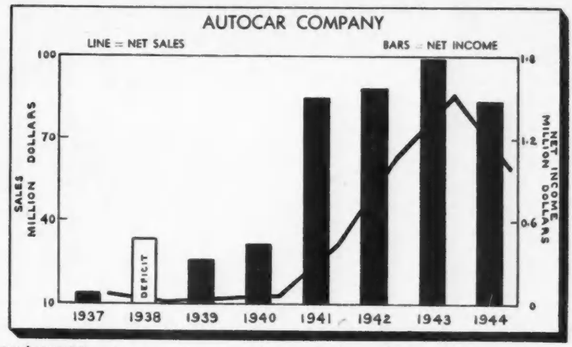
COMMENT: Aside from $62,000 3% equipment notes, Western's only capital issue is common stock, of which 409,954 shares (1,000,000 shares authorized) outstanding. Earnings for many years have been thin and variable, with small deficits reported in 1937 and 1938. In 1942, net jumped to $1.69 per share from one cent per share in the previous year, but shrank to 22 cents per share in 1943. No dividends have been paid since 1936, and expanding capital requirements should preclude them for some time to come. When new equipment becomes available, however, earnings should show a material uptrend.

MARKET ACTION: Recent price—18½ compared with high for the year of 20 and a low of 1⅞ in 1938. Volatility of the issue has been much above average.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

ASSETS	Dec. 31 1941	Sept. 30 1944	Change
Cash	0.103	0.576	+0.473
U. S. Treas. Tax Notes	—	0.145	+0.145
Receivables, net	0.272	1.156	+0.884
Inventories, net	0.144	0.267	+0.123
Other current assets	—	0.004	+0.004
TOTAL CURRENT ASSETS	0.519	2.148	+1.629
Plant & equipment	1.693	1.540	—0.153
Less depreciation	0.734	0.880	+0.146
Net property	0.959	0.660	—0.299
Other assets	0.078	0.326	+0.248
TOTAL ASSETS	1.556	3.134	+1.578
LIABILITIES			
Notes payable	0.060	0.140	+0.080
Accts. payable & accruals	0.231	0.729	+0.498
Rerserve for taxes	—	0.200	+0.200
TOTAL CURRENT LIABILITIES	0.291	1.069	+0.778
Deferred liabilities	0.031	0.076	+0.045
Minority Interest	—	0.034	+0.034
Long term debt	0.203	0.022	—0.181
Reserves	0.028	0.085	+0.057
Capital	0.410	0.410	—
Surplus	0.593	1.438	+0.845
TOTAL LIABILITIES	1.556	3.134	+1.578
WORKING CAPITAL	0.228	1.079	+0.851
Current Ratio	1.7	2.0	+0.3

Thumbnail Stock Appraisal



BUSINESS: Autocar is one of the independent smaller makers of heavy duty trucks and truck-tractors, with 45 years of experience featuring its record. Before the outbreak of war, volume amounted to about $13 million but huge military demand for its products, especially half-tracks, swelled 1943 sales to $85.8 million. Production for war purposes began early for Autocar, with 1941 volume reaching almost $32 million and net earnings per share soaring to $7.29 (EPT then not in effect) on its then outstanding common, since split two for one. In normal years, Autocar's established reputation as a manufacturer of diesel and four wheel drive trucks and buses has enabled it to compete fairly well with the larger concerns in this highly specialized field.

OUTLOOK: Restricted sales of trucks to civilians during wartime have built up a substantial deferred demand for vehicles of this class, creating interesting postwar potentials for Autocar. While its huge war volume will shrink drastically at the conclusion of hostilities, sales for at least several postwar years should equal if not exceed prewar levels. Facing almost no reconversion problems, the company can rapidly resume civilian production. Prolonged prosperity for makers of heavy trucks, however, depends largely upon the extent of general industrial activity; long-term operations therefore will always be subject to cyclical swings.

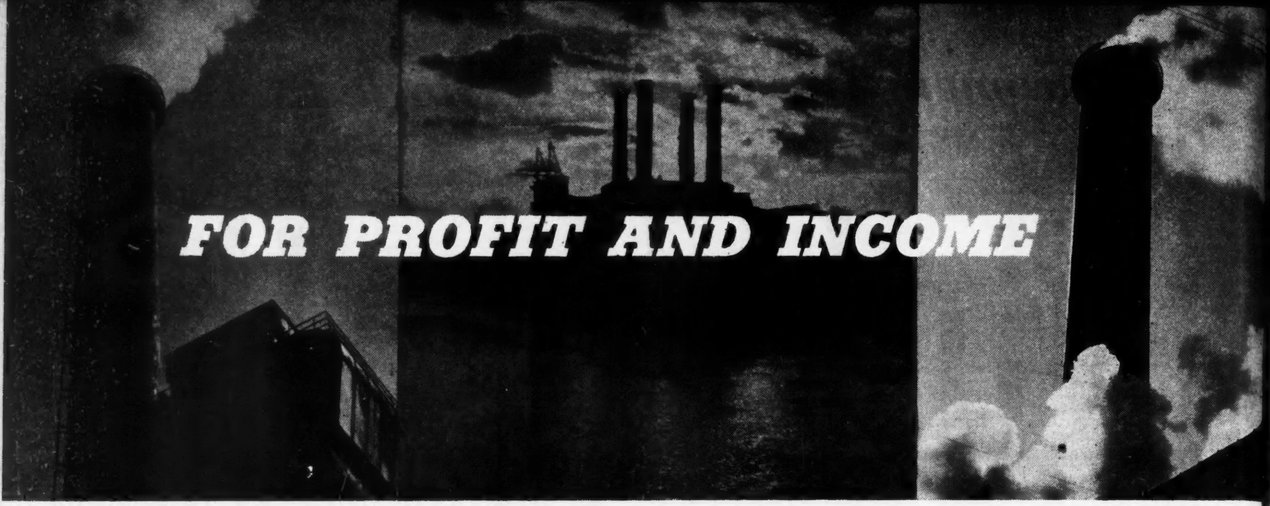
COMMENT: Capitalization consists of 465,720 shares of common and 2,307 shares of participating preferred which will probably soon be retired. While final results for 1944 are not available, earnings for the first six months were $1.40 per share. The current ratio of 1.2 reflects the strain of carrying heavy inventories, but ample working capital is assumed by a V-T credit of $15 million, most of which is now being used. Book value of the common is $19.82. Prewar earnings were not impressive and no dividends were paid for many years.

MARKET ACTION: Recent price—18⅞ compared with a 1945 range of 14⅝-21; and a high of 3¾ in 1938. Cyclical influences greatly increase the stock's volatility.

COMPARATIVE BALANCE SHEET ITEMS
($ millions)

ASSETS	Dec. 31 1941	Dec. 31 1944	Change
Cash	1.260	3.625	+2.365
Marketable securities	—	0.060	+0.060
Receivables, net	4.074	6.828	+2.754
Inventories, net	9.158	13.857	+4.699
Other current assets	0.502	0.898	+0.396
TOTAL CURRENT ASSETS	14.994	25.268	+10.274
Plant & equipment	6.632	7.806	+1.174
Less depreciation	4.592	5.197	+0.605
Net property	2.040	2.609	+0.569
Other assets	1.834	3.542	+1.708
TOTAL ASSETS	18.868	31.419	+12.551
LIABILITIES			
Notes payable	2.090	12.550	+10.460
Accts. payable & accruals	6.173	3.287	—2.886
Rerserve for taxes	—	3.425	+3.425
Other current liabilities	2.368	0.646	—1.722
TOTAL CURRENT LIABILITIES	10.631	19.908	+9.277
Mortgages	0.097	0.034	—0.63
Reserves	0.800	0.800	—
Capital	0.955	0.995	+0.040
Surplus	6.385	9.682	+3.297
TOTAL LIABILITIES	18.868	31.419	+12.551
WORKING CAPITAL	4.363	5.360	+0.997
Current Ratio	1.4	1.2	—0.2

Thumbnail Stock Appraisal



FOR PROFIT AND INCOME

Utilities

Public utility holding company stocks, especially those of most dubious value, have been market favorites recently. The reason is obvious, but doesn't make much sense. There will be no change in SEC policy on utilities. Liquidating values run up — and down — with the stock market; and will remain at a big discount, just as in the case of investment trusts. Some of the operating company stocks — like Pacific Gas & Electric, Philadelphia Electric and Consolidated Gas of Baltimore — still yield fairly good income return, but are not candidates for speculation. Incidentally, President Truman has promised to carry out the public power policies of Mr. Roosevelt. Apparently, to some thoughtless minds, what is done is not as important as who does it.

Profit Margins

This department has just checked profit margins shown by 1944 reports of 20 retailing companies. All were 50%, or more, higher than the best pre-war margins. The department store margins are most abnormal, on the high side. Retail margins are bound to decline in peacetime, but the effects may be offset by lower taxes if volume is at an adequate prosperity level. In this connection, it is significant that 19 of the 20 companies have lower earnings per share than in their top pre-war years. The exception, the Kinney shoe chain, is a marginal company. Among the leaders, Montgomery Ward is least inflated in operating margin and most deflated in profits. It is probable that wide improvement in the latter is ahead. Some analysts figure Ward might earn as much as $7 a share in a good post-war year.

SOME NOTABLY STRONG STOCKS IN RECENT MARKETS

Atchison	U. S. Rubber
Celanese	Westinghouse
Chrysler	U. S. Gypsum
Schenley	Mont. Ward
Int. Harvester	Motor Products
Johns-Manville	Canada Dry
Goodrich	Hudson Motor
Firestone	Studebaker
Am. Tobacco	Simmons
U. S. Steel	Union Pacific

General Motors

General Motors, one of the most popular industrials for good reasons, has recently been priced around 69. What's it worth on postwar prospects? Well, the bottom dollar of dividends seems about as safe as the interest on a high grade corporate bond, for never under worst conditions has less than $1.25 been paid. Capitalized on a 2¾% basis, this $1 return is worth about 36. The next one dollar of dividends has been paid in 12 out of 16 years since 1929 and might be capitalized on, say, an 8% basis for a value of roughly 12. The third one dollar, paid in 9 out of the past 16 years, and which brings us up to the current rate of $3, obviously is much less of a long-term fixture. A capitalized value of 6 would be ample. Dividends between $3.50 and $4.50 have been paid in 6 years out of 16. This upper potentiality, though very real, must be called quite speculative from a true investment perspective, and can hardly rate a capitalized value of over 3. Footing these calculations up, we arrive at total value, from the dividend angle, of 57. Thus, the stock has entered the speculative price zone, though optimism over glowing auto prospects quite likely will take it higher. The conservative-minded may note that it sold under present prices at some time in each year of the last 16, and over 69 only in 1837 (77) and 1929 (91¾).

Bond Stores

Often "growth stock" is a term too loosely used by financial analysts, but this department believes that Bond Stores truly qualifies. The company is an efficient manufacturer and retailer of low-price and medium-price clothing — cutting out the middle men — and thus has a set-up which, in its field, is the last word in competitive efficiency and economy. Expansion of outlets after the war, already planned and with many good sites secured, promises that present high volume will not only be kept but substantially exceeded in time. An eventual doubling of earnings, just above $4 a share the past two years, and of the present $2 dividend, is a speculative possibility.

International Harvester

Harvester's expansion program is understood to be based on expected volume of $600 million a year for a couple of years after the war and longer-term sales around $400 million. If realized, with pre-war margin and 40% tax, net might range between $10 and $7 a share. Pre-war high: $6.31 in 1937 and $7.11 in 1929.

Keeping Abreast of Industrial and Company Changes

Market potentials for air conditioning equipment has lead GENERAL ELECTRIC CO. to establish a new operating department which will concentrate upon sales of these products, funtioning as a sixth major division of the company.

Plastic coating of fine fabrics in postwar years to produce such novelties as stainless linen tablecloths and easily cleaned curtains is predicted by MONSANTO CHEMICAL CO., as a result of wartime research. By using a thin layer of vinyl butyral, the original appearance of the fabric is retained.

This same plastic may be used to form a remarkable imitation leather, much stronger than natural leather and with any desired grain. Film made from another plastic will make a six ounce raincoat which can readily be carried in a pocket.

Manufacture of aircraft gears and transmissions will continue to feature production schedules of BORG-WARNER CORPORATION in postwar years, as this concern anticipates a heavy demand for helicopters and commercial planes which will require these parts.

Optimistic GENERAL ELECTRIC CO. confidently expects its postwar volume to outstrip all records established in prewar years, although a sharp decline from dizzy heights of current military production will naturally occur.

Large orders are pending for freight cars to be shipped abroad. The Government already has sent out inquiries for 1300, with many more to follow, and all to be exported.

First of many household appliances to come off from WESTINGHOUSE production lines, when conditions permit, will be electric irons. Not until at least six months after VE-Day, however, will heavier items, such as refrigerators, appear on the market.

Sale of a controlling interest in Italian Vineyard Co. to GARRETT & CO, INC., of Brooklyn, N. Y. involved $5,000,000. The property includes a 5000 acre vineyard in California and a large winery.

Latest of many new cloths for postwar markets is announced by ALUMINUM COMPANY OF AMERICA. An acetate plastic will give strength and pliability to laminated sheets of aluminum foil, the material to be produced in all colors.

Still another contender for fabric honors will be made from spun glass treated with plastics and rubber, and is already widely used by the Armed Forces. It is called Fibreglass and is made by a subsidiary of CORNING-OWENS GLASS CO.

Expansion policies of BORDEN CO. are expressed in its recent purchase of the pharmaceutical division of W. F. Straub & Co., Chicago, makers of synthetic chemicals, hormones and biologicals. It will be known as the Straub Laboratories division of Borden.

191 year old DEVOE & RAYNOLDS CO., paint manufacturers, is still growing, having recently acquired the Beckwith-Chandler Co., of Newark, N. J. This important addition will greatly broaden Devoe's facilities and sales organization in exploiting Eastern railroad and industrial markets.

Not content to rest on its laurels won by building thousands of landing craft for war purposes, HIGGINS INDUSTRIES, INC., of New Orleans will presently open a New York office to promote the postwar sale of pleasure craft, including everything from rowboats to ninety foot houseboats.

Decentralization of manufacturing facilities as result of war experience will feature postwar programs of more than one large concern. By locating plants in smaller communities, it has been found that employment can been better stabilized and living standards improved, with consequent benefit to production.

GENERAL MOTORS is making extensive plans to continue and expand its successfully proven wartime experience in decentralization, without which they claim their remarkable production record could never have been achieved. Congestion, either in the factory or at home, seriously reduces labor efficiency, they say.

Another industrial giant which plans extensive postwar decentralization is GENERAL ELECTRIC CO., So convinced is this concern of the wisdom of manufacturing in scattered smaller communities, that it plans to spend $125,000,000 to carry out this constructive program after the end of the war.

Those of us enjoying telephone service "as usual" during the war may not realize that 1,800,000 unfillable applications for service jam the files of AMERICAN TELEPHONE AND TELEGRAPH CO. The company estimates that in postwar years it will have to spend a billion dollars to supply the equipment needed to make everyone happy and to further expand its operations.

UNITED FRUIT proposes to swap six of its old vessels with the United States Maritime Commission for six brand new ones for Carribean service, provided the Government does not prove to be too good a horse trader, when the cash difference is discussed.

Uncle Sam feels very friendly to United Fruit for its valuable contribution of ships and strategic materials to the war effort. The latter include large amounts of rubber, abaca for rope, insecticides and vegetable oils from plantings on over 40,000 acres started early in the war by United Fruit.

The MACHINE TOOL INDUSTRY is keeping an alert eye on foreign markets. To capitalize on the inviting potentials disclosed, four leaders have formed American Machine Tool Export Associates to facilitate sales and engineering services for all concerns in the industry who wish to join them.

At least one large aircraft manufacturer expects to retain all of its present employees in spite of drastic future cuts in military orders. This optimist is REPUBLIC AVIATION CORPORATION, basing its hopes upon relocation of orders from subcontractors back to its own plants.

CONTINENTAL CAN plans to use the $15 million cash proceeds from its recent sale of preferred stock to build plants after the war in Quebec, Kansas City, Wheeling, Canonsburg and Havana, Cuba, and to provide additional warehousing facilities.

BUDD WHEEL CO., Detroit needs more room for production of rim type wheels for trucks, and has been authorized by WPB to build a $2,350,000 addition to its plant.

That dynamic Cleveland concern, JACK & HEINTZ, INC., steps lively when tackling new Government contracts. It recently bought a plant from National Carbon Co. in that city and allowed only a week to get into production with 1500 new employees.

Important MAKERS OF FARM EQUIPMENT in Rock Island, Moline and Davenport are now turning out machines for the farmers instead of the Army. Between 80% and 90% of their output now goes into normal channels, reversing the situation of two yers ago. Farm equipment is on the preferred list for early reconversion.

Sales of its retail stores last year constituted two-thirds of total volume for SEARS ROEBUCK & CO., continuing a steady upward trend over sales from the wellknown catalog, and proving the advantage of eye appeal in merchandising.

Opportunities for Income and Appreciation In Bonds and Preferred Stocks

BY JACKSON D. NORWOOD

MARKET TRENDS: Secondary obligations of solvent rail systems on April 16 reached their best levels since 1931, and the Dow-Jones price index of ten defaulted liens reached the best level since its inception in the later part of 1936. In the past two weeks the Dow Jones averages for forty bonds increased .44, while second grade railroad issues advanced 1.40 and defaulted rail liens advanced 1.73. Municipals were steady but dull. Public utility issues of holding companies were improved. In the foreign field Australian 5s of 1955 reached 107, a new high price.

ATCHISON, TOPEKA & SANTE FE: This company's general mortgage bonds are selling around 130 and reflect both the strong financial position of the railroad and the fact that the issue is non-callable. In 1944, the Sante Fe reduced its outstanding funded debt by $27,655,000 retiring the $21,743,000 Transcontinental short line bonds in December. There are only two callable issues now outstanding but the amounts are small. The $7,516,000 convertible 4s of 1955 and the $461,000 convertible 4s of 1950 are both callable at·110. The remaining funded debt consists of $152,000,000 general mortgage bonds, both due in 1995. Neither issue is callable.

RAILROAD BONDS APPROVED FOR CONNECTICUT BANKS: Bond obligations of eight railroads, involving 55 issues aggregating $829,705,320 principal amount, have been added to the list of investments legal for savings banks in Connecticut. This list is the longest ever issued at one time by the State Banking Department. Obligations approved include: Atlantic Coast Line A 4½s, Burlington 1st and refunding 3¾s and B 4½s, nine first mortgages of the Illinois Central R. R. and subsidiaries, Kansas City Southern 1st 3s of 1950, three New York Central equipment trusts, 1st mortgages on ten subsidiaries and New York and Harlem A and B 4s, Northern Pacific prior liens land grant 4s and Pennsylvania Consolidated 4s and 4½s, four first and refunding issues of subsidiaries and ten equipment trusts.

MISSOURI PACIFIC PLAN AWAITS COURT ACTION: Although court hearings still remain ahead of this railroad's reorganization plan, there is a probability that concrete action may be forthcoming within the next few months. If the Court finally approves it, the way would be open for balloting, whereas if the Court suggests modifications, it would go back to the Interstate Commerce Commission for further review.

NIAGARA HUDSON POWER CORP.: The savings realized and in prospect from subsidiary refunding operations are more than offsetting increased operating costs of this corporation. The financial structure of the system's subsidiaries has been materially strengthened. During 1944, refunding by Central New York Power Corp. reduced annual interest requirements by $1,373,000. The recent sale for refunding purposes of $50,000,000 bonds of the New York Power & Light Corp., one of the system's operating companies, will result in an annual saving of more than $1,250,000, according to estimate made by the President of the company. Incidentally, stockholders were informed that resumption of the payment of dividends by Niagara Hudson has to await completion of the reorganization of the subsidiary companies.

MAY DEPARTMENT STORES CO.: This company has sold 150,000 shares of $3.75 preferred stock at $103.50 a share. The financing represents new capital which will be used to develop retail store operations in certain suburban areas and to modernize existing properties. The stock is redeemable at $107.50 per share up to and including July 1, 1947, and at prices diminishing gradually to $103.50.

TEXAS & PACIFIC RAILWAY CO.: This company reduced its outstanding debt $3,593,000 during 1944. It is anticipated that the refunding of some $41,000,000 general refunding mortgage bonds which are callable at 105 will materialize when the refinancing is decided upon.

PENNSYLVANIA R. R. CO.: The company's annual report for 1944 shows how a substantial savings has been achieved by the company and its affiliated and lessor companies in refinancing of bonds. Refunding operations have resulted in the calling for redemption during 1944 and so far this year of four issues totalling $140,735,000. New issues, totalling $129,735,000 and bearing lower interest rates have been sold to provide funds for these redemptions. These operations will result in ultimate savings of approximately $61,000,000.

Medium Grade Preferred Stocks Recommended for Income and/or Appreciation

	Present Price	Call Price	Income Yield
Columbia Pictures $2.75 Preferred	$48.00	$53.00	5.73%
Columbia Gas & Electric $6.00 Preferred	97.00	110.00	6.19
Wilson & Co. $6.00 Preferred	100.00	100.00	6.00
Sharon Steel $5.00 Preferred	88.00	105.00	5.68
Rayonier Inc. $2.00 Preferred	36.00	37.50	5.56
Niagara Hudson $5.00 1st Preferred	94.00	107.50	Note "a"
Cities Service $6.00 1st Preferred	127.00	112.00	Note "b"
Republic Steel $6.00 Prior Preferred	107.00	110.00	5.61
Gillette Safety Razor $5.00 Preferred	92.00	105.00	5.43
Philadelphia Co. $6.00 Preferred	109.00	110.00	5.50
United Corp. $3.00 Preferred	43.00	55.00	Note "c"

(a)—Dividend arrears amount to $12.50
(b)—Dividend arrears amount to $74.00
(c)—Dividend arrears amount to $5.75 after payment of $1.75 in February.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities;* one request per month.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Seeks New Investments

My Magazine of Wall Street arrived yesterday. I have read it through. By the market of the last few days Mr. Miller seems to have been very correct. I admired two specific letters in your "Answers to Inquiries."

Another magazine arrived the same day. What a contrast! It is all right to be bullish, but not blindly so.

I have a problem which you may be able to help me solve. I cannot half state it and be wholly square with you. Thus I shall have to go into considerable detail.

I am 40, have a wife, a daughter of 13 and a son of 9. We own our small home. I have been sick for seven years, two of which were spent wholly in bed with paralysis. Recuperation is long and slow. Each year I have thought that a year hence would see me recovered enough to go to work, or buy a small business. I am happy to admit that we have not asked for nor received any form of relief. I have a small income of $40 per month. My wife is a nurse. During my two years in bed she did not work. During the next one and one-half years she had a part-time nursing job for $60 per month. So our savings, especially the first two years, went down considerably. However, now we can manage but creeping high living costs are making it very difficult to add to savings. (My wife now works full time—5 days per week—as a nurse.)

We still had some savings and as I had spent ten years with one of our better brokerage houses I felt that I should invest some of it. I was a bit too nervous to take full advantage of my knowledge so was too cautious to get best results out of this bull market. I felt a goal of 30% per year on invested capital to be within the limits of conservatism yet I have achieved only about 20% the past two years. About a year ago I lost the feel of the market and refrained from making new commitments. I had had in mind to buy Cutler-Hammer, Great Northern Pfd., and Southern Pacific—all up. I was going to sell out my holdings about February 1st when I read an article by a writer—for whom I have had much respect. Then this inflation-deflation argument bothered me as each side has such convincing arguments. As a result I have done nothing.

Today I have a little over $1,000 of investable funds. If I were sure of inflation I would invest it tomorrow. If I felt it was deflation, I would sell out. The radio report of noon prices didn't look too good—this could be the turning point of this market, rather than a mere shakeout. And shakeouts don't go with a near-cash-basis market.

20 *Corn Exchange Bank Avg.* $47.50. *I expected higher dividends and a price of over* 70.
6 *National City Bank @* 35⅛*—Dividends increased a bit but high earnings looked like price of* 60.
5 *National Bank Detroit @* 32⅝. *Looked like a growth situation with price of about* 60.
25 *United Electric Coal @* 6⅛. *Looked like accumulation, new progressive management, low cost producer with low labor ratio. Hoped for above* 16.
8 *Phillips Petroleum @* 44.50 *looked like growth and stability with at least* 60.

For diversification (?) we have 65 *series E Bonds costing* $2437.50 *and one* $500 *Treasury 2½'s. That makes cash and stocks total about the same as Government holdings.*

Now you have the picture and can visualize my problem. Can you be of help to me and can your service benefit me? You see my position and my expectations. Are we still in a bull market? Please do not think of me as trying to get free information. This letter and my questions are very important to me. I would not have written if I felt that you would not answer it in the spirit in which it is written. If you feel that you can be of help to me in addition to answering my questions, would you kindly enclose several back numbers of your comments or forecasts for me to study—preferably issues prior to a change in the market, i.e., a break or a rally.

I sincerely thank you for your time, your patience and your courtesy. I shall eagerly await your reply. Enclosed is Air Mail postage.

—C. B., Omaha, Neb.

We have given careful consideration to your very interesting letter.

We are in full accord with your objectives and would like to help you achieve them. The uncertainties prevailing in world affairs indicate a conservative policy is best, particularly for those not in a position to assume great risks.

We have reviewed your bank stock holdings and as they represent good quality equities, they are suitable for retention, however, the enhancement potentialities appear limited at the present time.

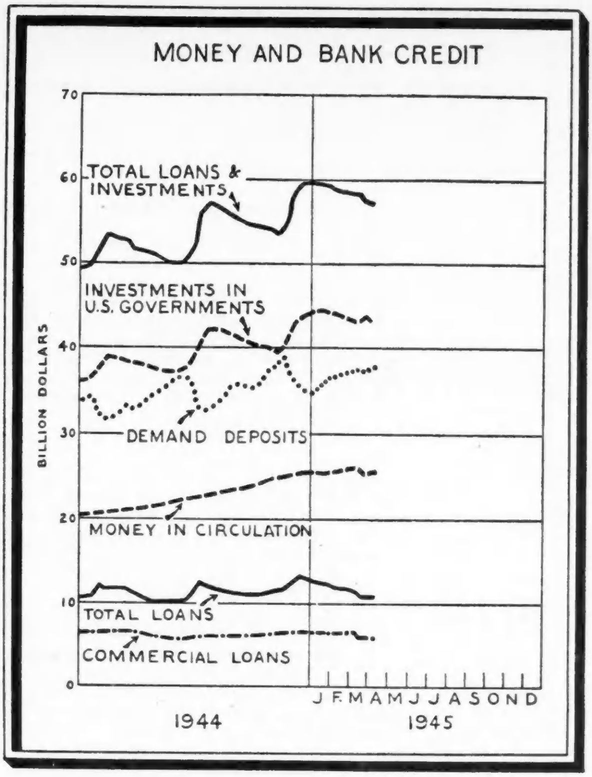
United Electric Coal on the basis of good current earnings, near term prospects and dividend yield, is attractive, however, the long-term outlook is obscure, therefore on a further sharp bulge in the market price, we would be inclined to accept profits.

Phillips Petroleum is a good growth situation with further enhancement possibilities.

Your investment in Government bonds indicate the proper patriotic attitude and it also is the highest grade investment anyone can make.

In accordance with your request, we would like to send you several back numbers of our magazine, but we have no copies left as our issues are sold out and in view of the paper restrictions, we cannot print as many copies as we would like.

The European war may terminate soon and this happy event (*Please turn to page* 116)



SUMMARY

MONEY AND CREDIT—U. S. A. no longer a creditor nation on balance; but current short term foreign credits here of near $6 billion will not suffice to finance huge post-war export demand.

TRADE—In post-Easter week Apr. 7, department store sales dropped to 13% below final pre-Easter week of like date last year.

INDUSTRY — Essential industries to have first call on labor and materials in early stage of reconversion period; but virtually all civilian goods will begin to appear on the market within a year after V-E day.

COMMODITIES — Under stimulus of domestic car shortage and heavy purchases for overseas shipment, commodity spot prices advance to new wartime highs, accompanied by sharp recovery in futures.

The Business Analyst

Work stoppage at some of the so-called "captive" coal mines owned by steel companies was mainly responsible for a dip of nearly 2% in **Business Activity** during the past fortnight, to a level slightly below last year at this time. With a few months after collapse of organized Nazi resistance there will probably be a more noticeable sag in Business Activity, but no important decline unless Japan also gives up this year.

* *

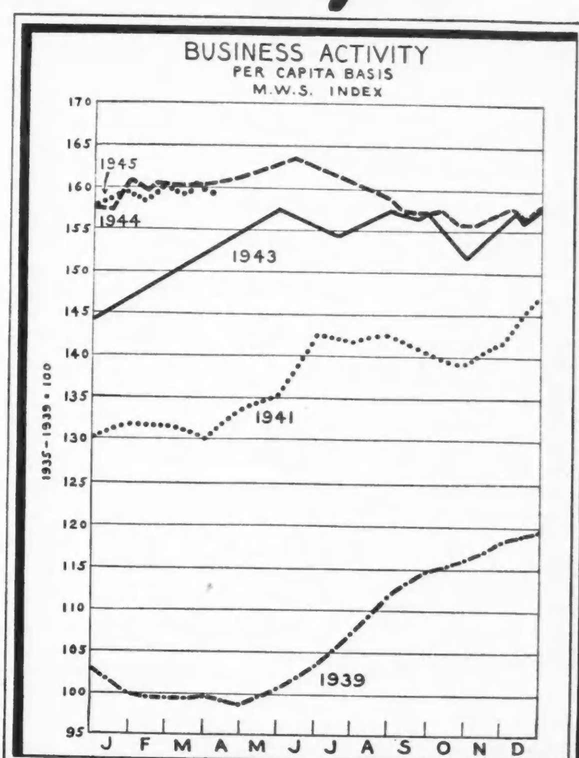
In the post-Easter week ended Apr. 7 **Department Store Sales** dropped consistently to a level 13% below the final pre-Easter week of like date last year; thereby resulting in a four-weeks' gain of only 10%, and reducing to 15% the cumulative increase for the year to date.

* *

Critical shortages have developed in **Rail Transport** and **Steel.** Freight car scarcity is slowing the movement of wheat, flour and munitions—within the nation and overseas. High ranking Army officers have told the Senate Military Affairs Committee that we are scraping the bottom of a steel barrel, because of the increased weight of bombs and needs for heavy equipment in the Pracific.

* *

(Please turn to the following page)



Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
FEDERAL WAR SPENDING (tf) $b	Apr. 11	1.84	1.93	1.81	0.43
Cumulative from Mid-1940	Apr. 11	270.1	268.3	179.3	14.3
FEDERAL GROSS DEBT—$b	Apr. 11	234.1	233.9	184.7	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	Apr. 11	43.3	37.2	33.8	24.3
Currency in Circulation	Apr. 11	25.9	25.9	21.3	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Apr. 11	6.47	6.55	5.63	3.92
100 Other Cities—$b	Apr. 11	7.78	7.80	7.65	5.57
INCOME PAYMENTS—$b (cd)	Feb.	12.74	13.36	12.21	8.11
Salaries & Wages (cd)	Feb.	9.52	9.52	9.18	5.56
Interest & Dividends (cd)	Feb.	0.49	0.94	0.46	0.55
Farm Marketing Income (ag)	Feb.	1.34	1.57	1.34	1.21
Includ'g Govt. Payments (ag)	Feb.	1.39	1.66	1.44	1.28
CIVILIAN EMPLOYMENT (cb)m	Mar.	50.8	50.6	50.5	50.4
Agricultural Employment (cb)	Mar.	7.3	6.8	6.9	7.7
Employees, Manufacturing (lb)	Mar.	15.5	15.5	16.7	13.6
Employees, Government (lb)	Feb.	5.9	5.9	5.8	4.5
UNEMPLOYMENT (cb) m	Mar.	0.8	0.9	0.9	3.4
FACTORY EMPLOYMENT (lb4)	Feb.	160	160	134	147
Durable Goods	Feb.	216	216	241	175
Non-Durable Goods	Feb.	116	116	121	123
FACTORY PAYROLLS (lb4)	Jan.	330	332	345	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Jan.	45.4	45.6	45.2	40.3
Hourly Wage (cents)	Jan.	104.7	104.0	100.2	78.1
Weekly Wage ($)	Jan.	47.52	47.45	45.29	31.79
PRICES—Wholesale (lb2)	Apr. 7	105.1	105.1	103.7	92.2
Retail (cdlb)	Feb.	139.6	139.7	135.0	116.1
COST OF LIVING (lb3)	Feb.	126.8	127.1	123.8	110.2
Food	Feb.	136.5	137.3	134.5	113.1
Clothing	Feb.	143.3	143.0	135.2	113.8
Rent	Feb.	108.3	108.3	108.1	107.8
RETAIL TRADE $b					
Retail Store Sales (cd)	Feb.	5.17	5.46	4.75	4.72
Durable Goods	Feb.	0.69	0.74	0.63	1.14
Non-Durable Goods	Feb.	4.48	4.72	4.12	3.58
Dep't Store Sales (mrb)	Feb.	0.45	0.44	0.39	0.40
Retail Sales Credit, End Mo. (rb2)	Feb.	2.17	2.31	1.92	5.46
MANUFACTURERS'					
New Orders (cd2)—Total	Feb.	15.5	15.5	16.7	13.6
Durable Goods	Feb.	593	534	365	265
Non-Durable Goods	Feb.	224	226	194	178
Shipments (cd3)—Total	Feb.	287	264	271	183
Durable Goods	Feb.	390	355	384	220
Non-Durable Goods	Feb.	216	201	193	155
BUSINESS INVENTORIES, End Mo.					
Total (cd)—$b	Feb.	26.3	26.4	28.0	26.7
Manufacturers'	Feb.	16.3	16.5	17.7	15.2
Wholesalers'	Feb.	3.9	4.0	4.1	4.6
Retailers'	Feb.	6.1	5.9	6.2	7.2
Dept. Store Stocks (rb)—I	Feb.	148	147	154	139

PRESENT POSITION AND OUTLOOK

(Continued from page 103)

Finding that about 70% of armament now employed in Europe can be moved gradually to the Pacific, the Army has decided upon a 10% cut in the new **War Plant Construction** program authorized last December. This involves no reduction in munitions production by existing plants; but merely a less ambitious rate of expansion the ultimate effect of which will be to ease the total war draft on the national economy.

* * *

Other shifts in the armament program are indicated by recent reports that **Shipbuilding** activity in February was 25% below the December peak, whereas **Planes** output in March was 15% ahead of February.

* * *

After V-E day there will be three busy lanes for **Moving Men and Supplies to the Pacific:** from Europe to the Orient; from the U. S. A. to the Pacific; and a third from Europe, to America, and then back to the Pacific. Shipping will be the big bottleneck or the tremendous movements soon to get under way, and the return of men and supplies to this country will be slow.

* * *

Chairman Krug of the WPB has just reaffirmed an earlier official decision that railroads, public utilities, oil producing facilities, farm implements and containers must have first call upon surplus manpower and materials in the initial stages of **Reconversion;** but he thinks that "about everything" in the line of civilian goods will be in production and on the market in some quantity, with the over-all rate of civilian production reaching the 1939 level, within a year after V-E day.

* * *

In trade circles it is estimated that production of **Radios** will start within 2 to 3 months after the go-ahead signal is given; **Ranges,** 3 to 4 months; **Washing Machines,** 6 months; **Refrigerators,** 9 to 12 months; but that few, if any, **Automobiles** will roll off the assembly lines in 1945. Reconversion problems of the latter industry will be so great that Chairman Krug has just set up a special WPB division to facilitate their solution. Its first step has been to authorize **Machine Tool** makers to start work on $50 million worth of new equipment needed by the automobile industry for reconversion; but 3 to 7 months will be required for delivery, even if the steel is obtainable.

* * *

Former War Mobilization Director Byrnes estimates, in his last report, that only a million workers will leave war jobs within six months after V-E day, that this slack will soon be taken up and then there will be **More Work Than Hands To Do It** for 5 to 7 years "no matter what is done or not done." 6

* * *

In its April Bulletin, the National City Bank presents an itemized international balance sheet showing that, whereas the U. S. A. in Dec.,

PRODUCTION AND TRANSPORTATION

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—I—pc	Apr. 7	159.2	160.4	160.4	141.8
(M. W. S.)—I—np	Apr. 7	171.1	172.4	171.0	146.5
INDUSTRIAL PROD. (rb)—I—np	Feb.	235	234	244	174
Mining	Feb.	142	140	142	133
Durable Goods, Mfr.	Feb.	346	344	367	215
Non-Durable Goods, Mfr.	Feb.	175	175	177	141
CARLOADINGS—t—Total	Apr. 7	765	835	788	833
Manufactures & Miscellaneous	Apr. 7	389	411	376	379
Mdse. L. C. L.	Apr. 7	109	112	109	156
Grain	Apr. 7	46	47	40	43
ELEC. POWER Output (K.w.H.)m	Apr. 7	4,322	4,330	4,361	3,269
SOFT COAL, Prod. (st) m	Apr. 7	7.7	12.3	12.0	10.8
Cumulative from Jan. 1	Apr. 7	160	152	175	446
Stocks, End Mo.	Feb.	45.8	49.5	52.7	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Apr. 7	4.8	4.8	4.4	4.1
Gasoline Stocks	Apr. 7	98.1	98.8	86.6	87.8
Fuel Oil Stocks	Apr. 7	41.3	41.7	52.0	94.1
Heating Oil Stocks	Apr. 7	27.0	26.9	29.9	54.8
LUMBER, Prod. (bd. ft.) m	Apr. 7	510	476	614	632
Stocks, End. Mo. (bd. ft.) b	Mar.	3.3	3.5	3.4	12.6
STEEL INGOT PROD. (st.) m	Mar.	7.72	6.65	7.82	6.96
Cumulative from Jan. 1	Mar.	21.6	13.9	22.6	74.69
ENGINEERING CONSTRUCTION AWARDS (en) $m	Apr. 12	52.2	33.7	32.9	93.5
Cumulative from Jan. 1	Apr. 12	466	414	517	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Apr. 7	204	178	179	165
Wood Pulp Stocks, End Mo. (st)t	Feb.	72.1	76.0	75.3	98.5
Hide & Lthr. Stks., End Mo. (hds.)m	Feb.	12.1	12.0	10.7	14.0
Whiskey, Production (tax gals.)m	Feb.	1.3	25.9	0	11.8
Do., Domestic Sales	Feb.	4.9	5.5	4.5	8.1
Do., Stocks, End Mo.	Feb.	331	336	374	506

PRESENT POSITION AND OUTLOOK

(Continued from page 104)

1939, was a world creditor on long term account to the net amount of $4.5 billion and a net short-term debtor for only $2.7 billion, by Sept., 1944, our net long term credit had shrunk to $4.4 billion while our net short term debt expanded to $5.6 billion. On balance, we are thus for the time being actually a debtor and **Not a Creditor Nation.** While existing short-term credits here will probably not suffice to finance all of the huge post-war demand from abroad for our goods and services, it would seem from this analysis that the need for extending additional credit to other nations will not be so great as propaganda has led the world to expect.

* * *

With the current issue we are making a few changes in the statistical section of **The Business Analyst.** In place of the index of Chain Store Sales, which the Chain Store Age has ceased publishing, we are substituting figures showing the total amount of retail-store-created Consumer Credit outstanding at the end of the month, in the form of net instalment account and charge account book credit. In lieu of coal loadings, which are mostly covered by the figures on bituminous coal production, we are adding the third principal component, "Mining," to the index of Industrial Production.

Ag—Agriculture Dep't. b—Billions cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't., Jan., 1939—100. cd3—Commerce Dep't., 1939—100. cdlb—Commerce Dep't. (1935-9—100), using Labor Bureau and other data. en—Engineering News-Record. I—Seasonally adjusted Index, 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. lt—Long tons. m—Millions. mpt—At Mills, Publishers and in Transit. mrb—Magazine of Wall Street, using Federal Reserve Board data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, Instalment and Charge accounts. st—Short tons. t—Thousands. tf—Treasurry and Reconstruction Finance Corp.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

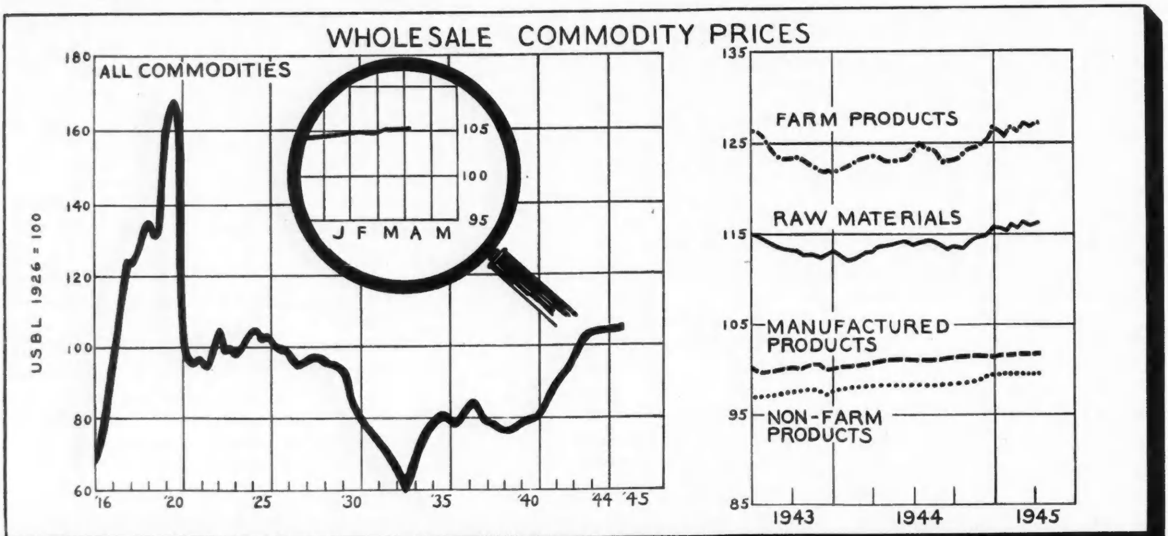
No. of Issues (1925 Close—100)	1945 Indexes High	Low	Apr. 7	Apr. 14
290 COMBINED AVERAGE	118.1	105.0	112.0	116.1
4 Agricultural Implements	177.5	160.5	164.2	168.7
10 Aircraft (1927 Cl.—100)	175.6	156.0	161.6	163.4
6 Air Lines (1934 Cl.—100)	650.4	559.6	622.2	650.4Z
5 Amusement	85.7	78.9	81.6	81.2
13 Automobile Accessories	207.3	178.2	190.9	197.7
12 Automobiles	41.3	33.8	39.0	41.3P
3 Baking (1926 Cl.—100)	16.2	14.3	15.7	16.2G
3 Business Machines	245.2	221.3	223.7	229.3
2 Bus Lines (1926 Cl.—100)	160.3	123.5	148.0	147.5
4 Chemicals	204.1	189.2	194.1	197.5
4 Communication	85.2	73.5	80.4	83.2
13 Construction	49.4	42.3	45.6	48.1
7 Containers	313.3	276.5	298.4	310.5
8 Copper and Brass	83.2	74.8	76.1	77.4
2 Dairy Products	53.2	47.6	52.3	53.1
5 Department Stores	45.7	39.8	44.4	45.7P
5 Drugs and Toilet Articles	127.3	117.6	118.4	124.2
2 Finance Companies	247.0	222.1	235.6	247.0A
7 Food Brands	149.4	134.5	144.3	147.1
2 Food Stores	63.1	56.1	61.8	63.1
4 Furniture	89.8	81.6	84.0	87.5
3 Gold Mining	1096.0	938.3	1012.4	1042.4

(Nov. 14, 1936, Cl.—100)	High	Low	Apr. 7	Apr. 14
100 HIGH PRICED STOCKS	80.35	73.59	77.87	80.35G
100 LOW PRICED STOCKS	132.91	112.22	121.89	127.15
6 Investment Trusts	50.2	44.7	45.9	48.4
3 Liquor (1927 Cl.—100)	464.6	391.0	436.4	464.6Z
8 Machinery	159.7	138.6	153.3	159.7G
2 Mail Order	113.4	96.7	102.8	113.4P
3 Meat Packing	88.2	68.6	73.6	76.8
11 Metals, non-Ferrous	173.3	149.0	159.8	166.8
3 Paper	21.4	18.9	20.1	20.9
22 Petroleum	165.8	142.5	157.1	160.4
19 Public Utilities	72.4	55.4	66.4	72.4G
5 Radio (1927 Cl.—100)	31.4	27.5	28.5	29.1
7 Railroad Equipment	79.1	68.9	75.3	76.1
21 Railroads	27.1	22.8	25.7	26.6
2 Shipbuilding	114.5	96.6	103.7	107.3
3 Soft Drinks	433.6	402.9	410.7	424.5
12 Steel and Iron	93.1	82.8	88.4	91.3
3 Sugar	58.1	54.5	54.5a	55.0
2 Sulphur	191.7	173.5	184.3	187.4
3 Textiles	66.2	58.5	62.7	66.2G
3 Tires and Rubber	37.8	34.0	35.7	37.4
5 Tobacco	76.5	67.5	71.4	73.1
2 Variety Stores	266.4	255.6	261.8	262.6
21 Unclassified (1944 Cl.—100)	108.8	100.0	100.3	103.3

New HIGH since: A—1944; G—1937; P—1930. Z—New all-time HIGH. a—New LOW this year.

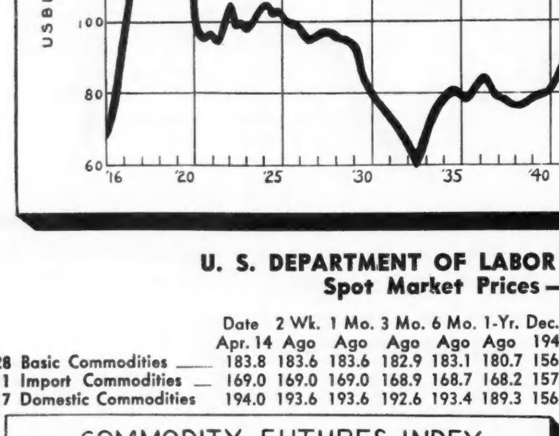
Trend of Commodities

The advance of spot commodity indexes since our last issue, to new war-time highs, has been accompanied by sharp recovery in futures. Star performer was rye, up 15½ cents in the past week. North American stocks of this grain on Jan. 1 were only 35 million bushels—16 million less than a year earlier. Only 13 million bushels are now held at terminal markets, and half of the eastern seaboard stock of 8 million bushels has just been purchased by the CCC for shipment to Europe. The Agriculture Department looks for a record wheat crop of 1,103 million bushels in the coming crop year; but so great is the demand for shipment abroad that distillers will probably be asked to substitute corn, a more costly raw material, in producing industrial alcohol this year. The International Cotton Advisory Committee, composed of all important cotton nations, finds that cotton supplies available for export from the chief producing countries in the 1945-6 marketing season will greatly exceed world demands, despite the growing shortage of cotton goods. In the current 1944-5 season, international trade in cotton will be less than 4 million bales, compared with a pre-war level of 13 million. This lament is reminiscent of the "buy a bale of cotton" movement during world war I, which was followed after the war by a resurgence in world demand that carried prices up to record altitudes. The latent demand for clothing is far greater now than then. To encourage expansion in pork production the OPA has guaranteed a 50c higher support price until Sept. 1, 1946.



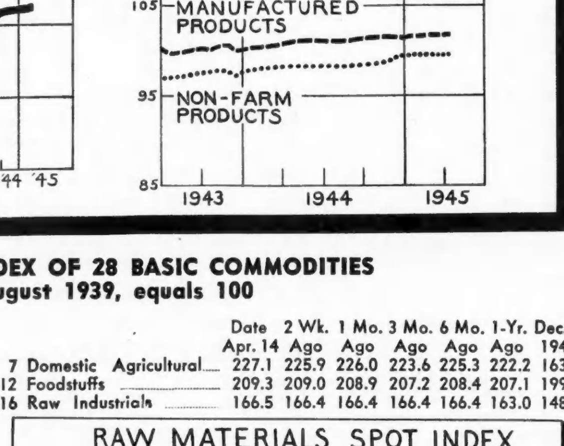
U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equals 100

	Date Apr. 14	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1-Yr. Ago	Dec. 6 1941
28 Basic Commodities	183.8	183.6	183.6	182.9	183.1	180.7	156.9
11 Import Commodities	169.0	169.0	169.0	168.9	168.7	168.2	157.5
17 Domestic Commodities	194.0	193.6	193.6	192.6	193.4	189.3	156.6
7 Domestic Agricultural	227.1	225.9	226.0	223.6	225.3	222.2	163.9
12 Foodstuffs	209.3	209.0	208.9	207.2	208.4	207.1	199.9
16 Raw Industrials	166.5	166.4	166.4	166.4	166.4	163.0	148.2



Average 1924-36 equals 100

	1945	1944	1943	1942	1941	1939	1938	1937
High	98.66	98.13	96.55	88.88	84.60	64.67	54.95	82.44
Low	93.90	92.44	88.45	83.61	55.45	46.50	45.03	52.03



14 Raw Materials, 1923-5 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1945	1944	1943	1942	1941	1939	1938	1937
High	97.8	97.6	96.0	89.1	85.7	78.3	65.4	91.5
Low	96.7	94.9	89.3	86.1	74.3	61.4	57.5	64.7

Companies To Lead Reconversion Race

(*Continued from page* 77)

The automobile industry, chosen for a leading role in the march back to civilian production, presents a special case. We have already referred to the industry's reconversion problems, the fact that it must virtually rebuild its production plant bodily. That will take time — though Washington is ready for quick action to head off any threat of unemployment in automotive centers — for to re-activate automobile production is far different from the job confronting any other industry with the possible exception of certain electrical appliance companies. Main bottleneck is the need of some 5,000 new machine tools. Main problem is that of relocating war contracts to free plant facilities.

The automobile industry asked WPB chairman Krug to approve company plans to spend $25 million for plant extensions, renovations and the like, preliminary to reconversion. They were told to expect nothing until VE-Day. On that day, then, the industry must start from scratch though manpower and materials then becoming available will speed jobs. The sum total of the situations surrounding the automotive industry is that it will receive its go-ahead signal not until one and perhaps several months after Germany falls. The industry's war role is vital and enormous, and the military services no doubt will want to map Pacific war requirements thoroughly before permitting the reconversion start. This doesn't mean that pre-conversion steps in automobile plants are not progressing rapidly; they are, but they can be no more than minor, for the time being.

Obviously, it will be impossible for all automobile plants to get away simultaneously at the starting gun. The broad policy of plant-by-plant reconversion rests on the principle that idleness cannot be permitted in 90% of the industry simply to aid the unlucky 10% whose war commitments will delay their return to normalcy. Companies handicapped in this fashion therefore will try to solve their problem with new facilities and construction, included in the $25 million mentioned before. This, too, will take time.

Here is how reconversion problems of individual companies appear to shape up. All car-making divisions of General Motors are hindered by the shortage of presses in the Fisher body plants. Unless the situation changes unexpectedly, General Motors will be able to produce only one or two models, probably in limited quantity, in each division for some time. Pontiac appears in best position, for it is now making buses on its auto assembly lines, thus faces few technical problems. The ability of Buick and Chevrolet to go ahead depends largely on their release from war contracts; both expect gradually easing calls for war items but Cadillac, heavily booked on armored vehicle and plane parts, may lag somewhat.

Chrysler faces a stiff reconversion problem, due to the unusually broad range of its war work, but with the exception of the DeSoto division, the company should be in about average industry position. Hudson Motor's substantial B-29 contracts are a formidable block to reconversion today; they form a definite contract relocation problem. Nash-Kelvinator's biggest war job has been in aircraft engines; with diminishing engine demands, the company thinks there should be no difficulty in returning such work to the prime aircraft engine builders. Packard, thanks to new facilities, should now be in close to average position, a vast improvement over the clouded reconversion outlook of a year ago. Studebaker is probably in the best position of all, since a good part of its normal facilities have remained intact. Willys-Overland, as a maker of jeeps and jeep engines throughout the war, can probably switch as fast as anyone. The two last-mentioned, then, may well lead the reconversion race in the automobile industry though some of the others such as Nash-Kelvinator and some General Motors divisions may not lag far behind. Ford is said to be in a very favorable position.

It would be unwise, perhaps, to attach too specific investment importance to companies likely to benefit from early reconversion preferences; such preferential status will be temporary with others rapidly catching up as re-

(*Please turn to page* 108)

(*Continued from page* 107)
conversion progresses. Earnings implications will be limited to those inherent in avoidance of any reconversion pause and or any temporary drop in activity. In some instances, this may be of weight, of course, but probably not too much in most of the industries involved. On the whole, therefore, broad postwar potentials are a better investment criterion than early reconversion advantages; as to the latter, the tax factor must not be lost sight of. Industries and companies which work off a goodly part of their accumulated backlogs under full war-time EPT rates are bound to profit less from the postwar boom than others, late starters though they may be.

U. S. Now a Debtor Nation

(*Continued from page* 79)
on long-term account, currently estimated at some $4.4 billion, is small by almost any standard of comparison. It is less than one-half of the 1930 figure although national wealth and national income have greatly expanded since that time. In 1930, long-term American assets abroad reached some $15.2 billion, offset by only about $5 billion of American assets held by foreigners. The 1931 showing was even more favorable. In that year our assets abroad declined slightly to $14.6 billion but foreign long-term assets held here dropped to $2.3 billion, leaving a record balance in our favor of $12.3 billion on long-term account. The great shrinkage since then, down to $4.4 billion last year, suggests an opportunity for substantial expansion of American investment activity abroad after the war.

While it is difficult to foretell with any degree of accuracy just how foreign assets in this country will be utilized after the war, a discussion of their nature, and thereby their potentials, may provide some rough ideas. Of foreign short-term holdings totalling $6.1 billion, about $3.3 billion are official credit balances held by Governments or central banks while $2.8 billion are owned by private individuals or corporations. Immediate postwar needs will probably make considerable inroads in both categories, either to finance Government-directed importation of urgently needed foodstuffs, raw materials and other essentials, or in the case of private holdings, to provide working capital for resumption of business. Privately-held balances, in particular, represent largely "flight capital" subject to possibly quick withdrawal, but the matter of confidence in economic and financial stability abroad may prove an important determinant. Government enforced repatriation or utilization of balances may be another factor to be reckoned with.

Foreign long-term holdings in the United States come to about $6.2 billion. Thereof about $2.2 billion represent direct investments, chiefly plants, real estate holdings, etc. Whether some of these will be disposed of after the war is difficult to say; a likely possibility would seem that foreigners would prefer, if possible, to retain these earning assets as welcome producers of dollar exchange.

Another $2.7 billion of foreign long-term holdings consist of investments in preferred and common stocks while $0.7 billion more are invested in American corporate and Government bonds. It poses the interesting question how much of these securities will be sold after the war. No one can say for certain, of course, but the prospect seems rather slim that we may witness a concerted selling rush. A good portion may stay permanently invested in American securities; some may be sold and the proceeds repatriated. Policies of individual foreign Governments, insofar as they can be imposed on private holders of securities, may determine in part what shall be done with these investments. Again, their disposition may be importantly governed by the degree of confidence in postwar economic conditions abroad and the incentives for profitable employment of funds.

Foreign investment in American securities, as the table shows, is not greatly changed from the 1939 figure but there is good reason to believe that there have been important shifts in ownership, and ownership in turn may have a vital bearing on future disposition of these holdings. Naturally, any assumptions in that respect for the time being must remain conjectural. Foreign holdings of Amercan preferred and common stocks, incidentally, amount to no more than about 5.6% of the market value of all shares listed on the New York Stock Exchange.

The Dynamic Potentials In The Rayon Industry

(*Continued from page* 90)
demand for the latter material, however, is resulting in current expansion of facilities for the production of an additional 30 million pounds. Volume has expanded enormously during the past few years, rising from $4.8 million in 1937 to over $22 million in 1944, with the probability that 1945 volume will show a further substantial gain. But net earnings have declined slightly in each year since 1940, due to rising costs and taxes. 1944 net of $1.85 cents per share of common compares with $3.15 in 1940 and $2.16 in 1943. A consistently maintained strong working capital position, however, with large cash holdings, has enabled liberal dividend payments to common stockholders, amounting to $2 per share in 1943 and 1944 and $2.50 per share in the preceding two year

(*Please turn to page* 110)

PERE MARQUETTE RAILWAY COMPANY

In 1944 American railroads carried approximately double the daily load of the peak year (1918) at the time of the first World War. Net earnings, however, did not keep pace with increased service. This is explained by the fact that wages and prices continued to increase, and tax rates were at the highest levels in history, whereas freight and passenger rates remained substantially at prewar levels.

The Pere Marquette shared in this general trend. Operating revenues in 1944 were the highest in its history, exceeding those of 1943, the previous record year, by 2.27%. The increase in operating expenses, however—owing principally to wage increases and increased daily hours of employees, and higher costs of fuel, materials and supplies—was more than three times the increase in operating revenues.

Net income before railway tax accruals, but after deducting interest on debt and other miscellaneous items, was $10,176,875 in 1944. This compares with net income before railway tax accruals of $12,231,861 in 1943, a decrease of $2,054,986, or 16.80%.

Due to higher operating costs, railway tax accruals in 1944 were 16.81% lower than those of 1943, and net income was lower in almost exactly the same proportion. Net income in 1944 of $3,012,076 was less by $607,444, or 16.78%, than that of 1943. In both 1944 and 1943 net income before tax accruals was divided in the same way, with 70% going for taxes and 30% for the use of the railroad.

DEBT REDUCTION AND 1945 REFINANCING—The policy of debt reduction established in 1942, and pursued vigorously ever since that time, has brought gratifying results. By the end of 1944 this debt-reduction policy had effected a decrease of $12,067,655 in First Mortgage debt and a reduction in interest charges of $562,333 on an annual basis. This reduction in debt and interest charges, coming simultaneously with one of the most favorable periods for financing in railroad history, made it possible in 1945 to sell an issue of $50,000,000 of 35-year First Mortgage Bonds at an interest rate of 3⅜%. The proceeds, together with treasury cash, were applied to the redemption of all of the outstanding $52,467,335 of bonds, which bore interest at the rates of 4%, 4½% and 5%. The interest saving resulting from this additional reduction in debt, combined with the substantial cut in interest rate on the remaining debt, brings annual interest charges on all debt, including equipment obligations, down to approximately $1,840,000, compared with more than $3,200,000 in 1941. Because of duplicate interest incurred during the 60-day period between the call and redemption dates of the old bonds, the full savings will not be realized in the first year.

OPERATING REVENUE—The Company's 1944 operating revenues were $56,302,777, an increase of $1,249,973, or 2.27% over 1943. Freight revenues of $49,771,833 were higher by $946,102, or 1.94%, than in 1943, whereas passenger revenues of $3,920,675 were higher by $235,936, or 6.40%, than in the previous year. The number of revenue ton miles (tons carried one mile) in 1944 were 5,719,000,000, compared with 5,768,000,000 in 1943, a decrease of .84%. The number of passenger miles (passengers carried one mile) in 1944 were 186,311,406, compared with 179,656,394 in 1943, an increase of 3.7%. Greatly increased civilian railroad travel resulting from war emergencies and necessitated by the continued shortage of gasoline and rubber, together with the heavy movement of inductees, accounted for the greater proportional rise of passenger traffic.

OPERATING EXPENSES — Operating expenses of $43,219,772 in 1944 represented an increase of $4,022,029, or 10.26% over the preceding year. Of this amount, payments for services increased $1,354,798; fuel expenses increased $217,272; material and supply expenses increased $616,794; and increased charges for depreciation, amortization and joint facilities substantially accounted for the remainder.

The operating ratio, or proportion of operating revenues required for operating expenses, was 76.76 as compared with 71.20 the previous year and 73.45 in 1942.

TAXES—While railway tax accruals in 1944 of $7,164,799 were lower by $1,447,542, or 16.81%, than in 1943, they exceeded by towering margins the total taxes for any other year of your railroad's history, prior to 1943. They were higher by $2,345,728, or 48.68%, than in 1942; by $3,761,410, or 110.52%, than in 1941; and by $4,202,604, or 141.87%, than in 1929.

United States and Canadian income and excess profits taxes amounted to $4,504,605, a decrease of $1,429,952 from 1943.

Total tax accruals amounted to 12.73% of operating revenues in 1944, as compared with 15.64% in 1943, 10.88% in 1942 and 6.11% in 1929.

Total tax accruals were 2.38 times net income in 1944, 2.38 times in 1943, 1.35 times in 1942, and 0.40 times in 1929.

RESEARCH — With rising wages and prices forcing operating costs higher, and with government regulation tending to maintain rates at relatively stable levels, earning power depends on constant improvement of operating efficiency. To research goes a considerable part of the credit for the ability to transport more than twice as many ton miles of freight in 1944 as in 1939 with only 1.4% more locomotives and 5.1% more freight cars.

As a further step toward strengthening this program of research, the Boards of Directors of Pere Marquette, Chesapeake & Ohio and Nickel Plate Road in December of last year joined in the establishment of a common Department of Research Engineering, which will initiate and conduct studies and experiments looking toward more efficient use of material, equipment and facilities. Through this move the three cooperating railroads are in a position to benefit from the most advanced developments in technological progress in all fields.

NEW INDUSTRIES AND THE POSTWAR ERA — During the three war years of 1942, '43 and '44, a total of 203 new industries have been established along the lines of Pere Marquette Railway. During this period, 87,001 cars of freight were handled on account of these industries, producing a revenue over the three-year period amounting to $8,680,263. During the year 1944 alone, 57 new industries were established, which accounted for 3,016 carloads of freight, producing a revenue of $230,705.

With a growing number of new industries added to those already firmly established in the territory served, and the prospect of a continuing proportional growth, in future years, of the railroad's so-called "overhead business," the postwar era, trafficwise, is not viewed with pessimism. In this connection, it is interesting to recall that following World War I the railroad carried more revenue ton miles of freight in 1919 than in 1918, and more in 1920 than in 1919.

It does not necessarily follow that this experience will be repeated, but it is reasonable to assume that a great deal of slack that may result from the cessation of wartime manufacture will be taken up by the large-scale production of goods and materials to meet pent-up civilian demands, rehabilitation and reconstruction requirements.

SOURCES AND DISPOSITION OF INCOME

Our income came from the following sources:

	1944	*1943*	*Increase or Decrease*
Revenues from hauling freight other than coal and coke	$43,552,621.47	$42,761,911.98	$ 790,709.49—I
Revenues from hauling coal and coke	6,219,211.10	6,063,819.09	155,392.01—I
Revenues from hauling passengers	3,920,674.57	3,684,738.27	235,936.30—I
Other transportation revenues	2,610,269.46	2,542,334.46	67,935.00—I
Dividends from stocks owned	99,274.73	56,801.50	42,473.23—I
Other income from non-railroad operations	786,444.43	722,343.06	64,101.37—I
Total	$57,188,495.76	$55,831,948.36	$1,356,547.40—I

We disposed of our income as follows:

Wages	$20,638,656.91	$19,283,859.16	$1,354,797.75—I
Materials, supplies, and fuel	9,081,134.61	8,247,069.00	834,065.61—I
Railway tax accruals, other than Federal and Canadian tax on income	2,660,194.30	2,677,783.98	17,589.68—D
Payments to contractors, associations, other companies, and individuals for services and expenses	5,804,110.09	4,667,594.23	1,136,515.86—I
Rent for equipment of others used by us, less amounts received from others	142,351.09	199,846.11	57,495.02—D
Rentals and expenses paid for facilities used jointly with others, less amounts received from others	3,893,266.40	3,459,851.98	433,414.42—I
Interest on funded debt	2,721,065.39	2,934,113.96	213,048.57—D
Other interest	1,755.57	57,943.95	56,188.38—D
Depreciation, amortization, and retirements	4,729,280.72	4,749,809.10	20,528.38—D
Total	$49,671,815.08	$46,277,871.47	$3,393,943.61—I
Net Income before Federal and Canadian income and excess-profits taxes	$ 7,516,680.68	$ 9,554,076.89	$2,037,396.21—D
Federal and Canadian income and excess-profits taxes	4,504,605.00	5,934,557.29	1,429,952.29—D
Balance remaining for other corporate purposes	$ 3,012,075.68	$ 3,619,519.60	$ 607,443.92—D

The above are summary excerpts from our current Annual Report. Any stockholder failing to receive a copy of the Report will be furnished one on request to the Secretary, Terminal Tower, Cleveland, O.

(*Continued from page* 108)
period. Net earnings for 1944 amounted to $1,675,000, a slight improvement over 1943, but subject to deductions of $272,000 for dividends on 100,000 shares of preferred stock sold in May, 1944 in arriving at net applicable to the common. Working capital of $3.6 million appears ample to meet current requirements. Popular appraisal of the outlook for the rayon industry, and for Industrial Rayon shares has recently raised the price of the common to its highest level since 1937, thus somewhat dimming the stock's speculative appeal at current levels.

Tubize Rayon Corporation produces viscose and acetate yarns, as well as knitted fabrics, in large plants located in Georgia and Virginia. 47% of its 1943 output of 22.6 million pounds of yarn was used in its own knitting mills, the balance going to manufacturers of broad woven goods and to hosiery makers. Sales in 1944 amounted to $17.4 million compared with $16.8 million in 1943, with relative net earnings of $1.22 against $1.53 on the common. With the exception of 1938 when only 15 cents a share was earned, net has ranged closely between $1.27 and $1.91 ever since 1936, but a conservative policy of building up resources precluded the payment of any dividends on the common for an entire decade prior to last year, when a rate of 25 cents quarterly was established. Working capital position of this concern is exceptionally strong, amounting to $10.1 million, in part effected by sale of $7 million 4¾% preferred stock in 1944, the transaction adding some $4 million to cash resources after retirement of an old 7% preferred issue. While volume has increased immensely during war years, the company's rather uninteresting prewar record and the substantial increase in preferred stock makes appreciation potentials for the common seem somewhat unimpressive.

North American Rayon Corporation, along with American Bemberg Corporation, is controlled by Dutch interests, and all three of these concerns have become important factors in the rayon industry. North American in fact ranks fifth in the country as a producer of viscose yarn. Rapid expansion of plant capacity during the last decade has lowered production costs and, with the exception of 1938, has consistently maintained net earnings within a range of $2.55 to $3.69 per common share during every year since 1939. Only 60 cents a share was earned in 1938 and during depression years of the early 30s, a deficit was incurred. While 1943 volume was $16 million, 1944 sales figures are not available but net earnings in this latter year were almost identical with 1943 net of $1,630,000, in both cases equal to $3 a share on the common. The current quarterly dividend rate of 50 cents on the common has been maintained or exceeded in every year since 1936. Current assets of over $5 million, including $2.5 million cash, are available to meet current liabilities of $3.6 million, mostly consisting of provisions for taxes. The common stock has interesting fundamentals and potentials for growth; among the stocks of the larger rayon manufacturers, it sells at the lowest price-earnings ratio.

Sound Equities With Good Yields

(*Continued from page* 92)
Best Foods, formerly known as Hecker Products, produces a variety of well-known food products, such as Nucoa (margarine), Hellman's Mayonnaise, various brands of self-rising cake flour, H-O Oats, Cream Farina, Force, etc. There are also a few miscellaneous lines such as shoe polish (2-in-1 and Shinola). The working capital position has been strengthened in recent years and as of June 30, 1944, cash equalled current liabilities, while there was no funded debt or preferred stock ahead of the common. Despite irregularity of earnings dividends have been paid since 1927.

Pullman is one of the "blue bloods" in the stock list, dividends having been paid since 1867, while its board of directors includes some of the best business names in America — Mellon, Vanderbilt, Whitney, etc. A huge cash reserve is maintained — over one-third of total assets. Earnings have not bulked large during the war period because of extremely heavy taxes. The company now faces the question of disposing of its sleeping car (operating) business in accordance with a court order issued last year. Meanwhile it is going ahead with new ideas for the modernization of sleeping cars, and may enter other lines after the war.

Union Tank Car is the biggest company in the business of leasing oil tank cars; once affiliated with Standard Oil, it still retains exclusive contracts with many of the Standard Oil group as well as with independent oil companies. There is no bonded debt or preferred and cash is over four times current liabilities. While pipe lines may encroach somewhat after the war, the company's business should remain satisfactory.

Kroger Grocery operates nearly 2900 grocery stores in the middle west and south and has large accessory interests in baking, meat packing, etc. The company's private brands account for about one-fourth of its sales. While profits of some other chains have shown a declining trend, Kroger has maintained a slight uptrend since the early 1930s due to its policy of constantly eliminating less profitable stores. Cash amounts to nearly $30,000,000 or over one-third of total assets. The company has a moderate bank loan and a few shares of non-callable preferred stocks ahead of the large issue of common. The present $2 dividend rate has been paid for some years.

Frank G. Shattuck, proprietor of the well-known Schraffts' candy stores and restaurants, operates in New York, Boston, Syracuse and Philadelphia. Candy is also sold at wholesale, accounting for more than one-third of the volume and for a substantial part of the profits. Earnings have never been phenomenal since 1929, but have remained quite steady and have improved under war conditions. A comfortable cash position has been built up — over $10,000,000 compared with $24,000,000 total assets. There are no bonds or preferred stock. The company is well prepared for expansion after the war and may spend about $7,000,000 in a diversified program. Employment of this cash should help to sustain earnings in the postwar competitive period.

Colgate - Palmolive - Peet has paid dividends since 1895 and has a very strong financial position.

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It is one of the three biggest domestic soap makers and also has important lines of tooth paste, shaving cream, etc. It has substantial foreign business which should improve after the war. Dividends are conservative in relation to earnings.

American Snuff produces 30% of the snuff consumed in this country and maintains a strong cash position. Dividends have been paid for 42 years. While snuff taking is no longer a fashionable habit as in colonial times, it remains a stable practice in some areas and among certain classes of people. Net earnings have shown a slightly declining trend but this is largely explained by increased taxes. The over-generous $2.40 dividend explains the good yield. There is only a moderate issue of preferred stock ahead of the common, and current debts are very small in relation to assets.

Investment Audit of Wheeling Steel

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What is the outlook for Wheeling Steel in the postwar period? It is generally estimated that after reconversion the Federal Reserve index should be at least 125-130 or slightly above the 1940 level (if we should maintain employment at 60,000,000, the index would be considerably higher). Thus Wheeling's net sales after the war should be a little better than the 1940 level of $93,000,000 though considerably under the the 1944 level of $135,000,000. $100,000,000 would seem to be a fair working assumption (sales might be aided by a slightly higher price level). What could the company earn for the common stock with such sales prospects?

Assuming that wage demands do not increase after the war, there should be substantial savings available due to the elimination of over-time payments, increased efficiency of labor, more normal production methods, etc. The operating profit ratio might well return to earlier higher levels. On this basis operating profits would work out at $14,000,000, and after estimated depreciation and depletion of $5,000,000 (about the 1940 amount), the balance would be $9,000,000. Other income is quite stable around $1,000,000, bringing gross income to $10,000,000.

Assuming that special fixed charges do not exceed $45,000, the balance after interest in the postwar year would approximate $9,100,000. Next we have the problem of estimating postwar Federal taxes on income. In 1944 these amounted to nearly $5,000,000 (including excess profits taxes of $2,195,000) on gross income of $10,891,000. Our estimated postwar gross would be nearly $1,000,000 lower, and if the regular 40% income tax rate is substituted for the 85½% excess profits rate, federal taxes should not exceed $4,000,000 and might run somewhat lower if the company can make use of carry-back provisions, inventory losses resulting from reconversion, etc. Net income on this basis would be $5,100,000 and after preferred dividend requirements of $1,815,000 there would be a balance for common of $5.62 per share as compared with $4.51 in 1944. At the current price around 37, this would mean a price-earnings ratio of about 6½, compared with the actual present ratio of 8. If market conditions remained the same as at present, therefore, a ratio of 8 applied to the postwar earnings would mean a price of 45.

Of course it is always possible that costs may be higher in the postwar era. Labor may demand a guaranteed annual wage and other concessions. On the other hand, there may be less pressure by Washington for restricting corporate profits, and the steel companies may have less trouble in adjusting prices to wages so as to maintain a fair ratio of profit. It is quite possible that the general level of business will average higher than the 1940 level (after reconversion is largely completed) due to the insatiable demand for new cars, trucks, household gadgets, and equipment of all kinds. In that event the above estimates may well prove ultra-conservative. Wheeling Steel, therefore, with its high leverage due to the substantial issue of preferred stock appears to be one of the more attractive steel stocks for long-term appreciation possibilities. Given better than assumed operating conditions, that leverage could produce really handsome earnings, and the company's close tie up with consumer goods industries is frequently mentioned as the main basis for above average postwar potentials in speculative thinking.

Comparative Balance Sheet Items

($ million)

ASSETS	Dec. 31 1941	Dec. 31 1944	Change
Cash	2.485	3.919	+1.434
U. S. Gov't. securities	6.000	14.139	+8.139
Receivables, net	10.152	8.911	—1.241
Inventories, net	33.956	32.304	—1.652
Other assets	——	0.364	+0.364
TOTAL CURRENT ASSETS	52.593	59.637	+7.044
Plant & Equipment	132.778	141.822	+9.044
Less depreciation	58.382	71.565	+13.183
Net property	74.396	70.257	—4.139
Other assets	5.872	5.990	+0.118
TOTAL ASSETS	132.861	135.884	+3.023
LIABILITIES			
Sinkg. Fund Instal't.	1.200	1.200	——
Accts. payable & accruals	5.140	8.930	+3.790
Reserve for taxes	2.188	0.169(a)	—2.019
Other current liabs.	0.499	0.364	—0.135
TOTAL CURRENT LIABS.	9.027	10.663	+1.636
Short term debt	——	1.200	+1.200
Long term debt	34.800	30.000	—4.800
Reserves	2.589	2.421	—0.168
Capital	64.922	64.795	—0.127
Surplus	21.523	26.805	+5.282
TOTAL LIABILITIES	132.861	135.884	+3.023
WORKING CAPITAL	43.566	48.974	+5.408
Current Ratio	5.8	5.6	—0.2

(a)—After deducting $4.8 mill. U. S. tax notes.

Marketwise, Wheeling Steel recently has acted quite well; in fact since the appended tabulation was made, the price of the common has risen from 35 to 38¼, the year's price range being 39¾ high and 31⅜ low. Statistically, this price is quite low, what with cash asset value per share amounting to fully $31.68, and net current asset value to $85.92. Book value is $96.96. These figures of course do not

take into account outstanding senior capital.

In war-time, the leverage factor has been largely diluted by the tax factor and rising costs. Any tax relief would restore the normally heavy leverage best illustrated by the shift from a \$2.55 deficit in 1938 to \$6.40 net per share in 1939 on a sales gain of barely 40%.

Comparing Canada Dry with Pepsi-Cola

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million compared with \$13.7 million for Pepsi-Cola, the relative percentages of gross sales being 35.5% and 35%, practically identical, although the slight spread would be widened if Pepsi-Cola's 1944 sales exceeded 1943 figures, as is likely. Based on the prewar experience of the carbonated beverage industry as a whole, when sales and administrative costs generally consumed about 25% of receipts from sales, relative figures for both concerns are considerably above that average. Labor costs are not determinable in the cases under consideration, but as a rule are a remarkably minor factor in comparison to volume, absorbing only 3.3% of gross revenues for the entire industry in 1939.

Keen demand and large volume in recent years has sustained for both companies a price level sufficiently satisfactory to widen profit margins considerably above prewar experience, raising Canada Dry's average in war years to about 16% against 8.4% from 1936 to 1941, and Pepsi-Cola to about 40% from 34% for the relative periods. In this respect

again, Canada Dry seems to benefit from a comparison in trends, though not of actual percentages.

Working capital of Canada Dry, amounting to $6.1 million at the end of 1944 compared with $8.4 million for Pepsi-Cola and in both instances is ample to handle expanded volume. This is especially true considering the favorable rate of inventory turnover, with inventories for Canada Dry amounting to only 14% of sales, and for Pepsi-Cola (granting sales of $48 million) 13.3%.

The current ratio of the two concerns is almost identical at 2.5 and 2.4 respectively. Receivables of both companies are also similar, at not much over $1 million, indicating operations almost on a cash basis considering the substantial volumes of business done. Canada Dry's cash resources in 1945, as has been pointed out, have been greatly increased by its recent sale of $5 million preferred stock, but in due course much of this new cash will be put to productive use. Cash assets alone, $4.5 million for Canada Dry and $6.7 million for Pepsi-Cola, exceed current liabilities, the latter in both cases mostly consisting of tax indebtedness. Neither of these concerns normally are borrowers from their banks.

Reserve policies of both concerns are conservative, Canada Dry carrying a depreciation reserve of $4.5 million against its property valuations of $7.6 million, while Pepsi-Cola with property costing $13.8 million carries a relative reserve of $3.8 million. Tax reserves of Canada Dry are $2.6 million compared with $2.2 for Pepsi-Cola. The latter company has built up contingency reserves of some $3 million to cover certain possible losses on leases assumed at the time of its operations with Loft Candy Co. It is impossible to estimate what drains, if any, on the company's treasury will occur in the final liquidation of these potential liabilities.

In considering the relative merits of the common stocks of these two strong concerns, many aspects present themselves. Canada Dry has an excellent dividend record extending back to 1925. Distributions have varied from 25 cents to $4.50 during this long period except for three years when all net earnings were retained in the business to build up working capital. The current dividend rate of $1 per share compares with 70 cents paid in the previous year, in both instances having been earned more than twice over. Prices for the common have always exhibited considerable volatility, ranging from a low of 9⅛ as recently as 1942 to its present peak level around 36⅞. At this figure, the price-earnings ratio is fairly moderate at 14.9 although the yield is uninteresting at 2.8%, or less than the yield of 3.6% obtainable on the new preferred which is convertible into the common at 40. Growth potentials are considerably enhanced by the recent enlargement of working capital, which incidentally might warrant more liberal treatment of stockholders as time goes on. While the current price seems to have adequately discounted postwar potentials, this should not preclude further price appreciation over the longer term. With no reconversion problems to hamper rapid exploitation of civilian markets, and amply financed to expand operations, Canada Dry is in a good position to build up fundamental values for its common stock.

Pepsi-Cola's dividend record should really be measured only from the time it began to concentrate on its present activities. The current quarterly rate of 25 cents per share is an improvement over distributions on the old common before the three to one split-up last year, on which $2.50 was paid in 1944 and $2.20 in 1943. The present price of 24½ is not far below the peak of 26½ established during the recent market bulge, and the stock was consistently strong all during 1944, the comparable low in that year having been 22. The price-earnings ratio, presently 23.5, appears rather high and the dividend yield of 3.4% dims the investment aspect of the issue. And the stock is selling at nearly 8 times its book value. While the growth of the company has been almost glamorous within the period of a few years, and its financial position is extremely sound, current price of the stock has liberally discounted the undeniably bright postwar prospects of Pepsi-Cola for expansion in world wide markets.

Companies Facing Marginal Postwar Prospects

(Continued from page 85)

ing outlook; for, profits-wise, this whole industry is marginal.

Quite a few of the stocks in this list are those of companies in industries which have favorable, or at least satisfactory, postwar prospects. Yet, because of the dubious positions they hold within such industries, their potentialities are much below the industry-wide average. That applies to American Bosch, Austin Nichols, Eastern Stainless Steel, Intercontinental Rubber, Martin-Parry, Penn.-Dixie Cement, Sparks-Withington, Webster-Eisenlohr and Wilcox Oil.

Good stocks, even if not low in price, are usually the cheapest in the long-run. And some that look cheap eventually prove very dear.

Regional Shifts in Our Economy Resulting from War

(Continued from page 74)

ing them also areas of unusual opportunity.

On the whole, however, the difficulties may well be less than commonly assumed for the simple reason that the regional distribution of war expansion did not greatly deviate from what might be expected from an equally great expansion in peace time, except that extreme expansion might not have come in the same areas. Yet the unequal development of various parts of the country may hold important implications for the manufacturer and the business man, including the possible need for reorientation of sales efforts after the war. Overexpanded areas will have difficulties in sharing fully in postwar prosperity and may suffer severe transitional pangs, unless aided by appropriate policies and measures.

Take employment, for instance. There has been very considerable migration of labor to the new producing centers but problems of postwar reemployment cannot be solved simply by moving people to other parts of the country where job opportunities exist. Because the war-time expansion has embraced almost all areas (though in greatly varying degree), no parts of the country

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will act as a vacuum to absorb excess workers until the national output of non-war goods and services substantially exceeds the prewar level.

If the postwar national output is not much higher than the best prewar year, the supply of labor will be in excess of demand in almost every area. Outmigration from overexpanded centers of war production will spread the unemployment more evenly across the country but it will not materially increase the level of effective employment under such conditions. If high national production is achieved, there is little doubt that workers will migrate to where they can find jobs.

Even so, several question marks remain, an important one being the difficulty in visualizing the exact composition of the increased postwar national output. To be really effective as an employment stabilizer, the obvious need would be not so much increased output regardless of where it occurs, but increases in the whole gamut of goods and services that appeal to the consumer — plus the necessary expansion and modernization of the facilities to produce these things. Such need, and surely every effort will be made to meet it, would seem to point to permanency rather than mere transitory nature of war-time expansion in most areas.

Potential markets are, if anything, greater in those areas which have grown most during the war. These communities have been geared to unprecedented production by making use of many temporary expedients. If the present level of activity were supported by peace-time rather than war-time production, much capital investment would be needed. It will be needed if the scope of our postwar economy anywhere approaches publicly announced hopes and goals. In that event, a good many of the problems arising from war-time regional shifts may readily take care of themselves.

As I See It

(*Continued rom page* 69)

is likely to take place, the accelerated move in security prices notwithstanding. It was premature. The enthusiasm for the utilities is a striking example of what I mean. For unless Congress changes the laws it passed regarding the utilities and abrogates the extension of the TVA principle, the position of the utilities will not change one whit over what it was before. As a matter of fact, Mr. Truman has already announced that he intends to carry out the Missouri Valley Project.

Guessing is a poor basis for either business or investment commitments. It seems only sound policy to take a step at a time — to wait — rather than jump to conclusions regarding the prospects as a result of the elevation of Mr. Truman to the presidency.

At the moment, the San Francisco Conference is going into action and the excellent prospects augur well for its success. The world is ripe for peace. Before us lies not a utopia, but a better day — a bright, new world of greater security than men have ever known — if we make it so.

Answers to Inquiries

(*Continued from page* 102)

may present some good purchase opportunities. We suggest you continue following our market outlook articles by A. T. Miller and watch for recommendations appearing in our magazine.

We sincerely hope your health will improve soon.

Piper Aircraft

There is a great deal of interest in the post-war plans of airplane manufacturers, particularly in the small private airplane field. Piper Aircraft was a leader in this field before the war; do you know how many airplanes this company expects to produce in the first year after the war?

—T. K., Wilmington, Del.

Company recently stated that present estimat is 4500 airplanes. As to types of planes, a commercial model of the military model L-4j at a price of $1885 will be offered; and later a three place commercial version of the military AE-1, priced at $2815, and medium high performance four-place planes, for less than $3000; and a model priced under $1000 should follow approximately a year after commercial production is resumed.

Volume of commercial plane sales will depend largely on the establishment of "reasonably sized airports" surrounding the residential area of large cities and also small towns and cities.

Piper Aircraft feels, very definitely, that we must increase the utility of the airplane; make it easier for people to fly; lower the price and increase the safety.

South Porto Rico Sugar

As a subscriber to your Magazine I will appreciate any information and advice you may care to give on the following:

South Porto Rico Sugar. Because of the $5.00 dividend they paid last year I have been thinking of buying 100 shares of this company but before doing so would be glad to have your advice.

Would you consider the proposed purchase a conservative investment at the present time?

Do you consider it probable they will again pay $5.00 in dividends this year? If not, how much do you consider it likely they will pay?

Are sugar companies in Porto Rico subject to the risk of serious damage due to tropical hurricanes?

I am very desirous of increasing dividends but do not desire to become involved in any undue risk of capital.

Thanking you for your information and advice.

—T. H. S., Miami, Fla.

Sales volume should continue at a good level during this year and profits for the fiscal year ended September 30, 1945 will probably compare favorably with the $7.65 a common share for 1943-44.

The Porto Rican Land Authority has reached a preliminary agreement regarding the purchase of extensive land holdings of company's agricultural affiliate, Russell & Company and is reported to have set aside $5,500,000 for their acquistion. If this deal is consummated, dividends from this source would be eliminated, but net proceeds would accrue to stockholders.

The $2.00 annual dividend should continue this year and be supplemented by large extras which will possibly equal payments of last year. The Porto Rican area is subject to tropical storms, however, we cannot predict future damage, if any, because of these storms.

Prospects for the wartime duration are favorable but the longer term post-war outlook is obscure, therefore, this equity cannot be considered a conservative investment. However, on current earnings, immediate prospects and dividend yield, it has attraction at the present time.

CAPTAINS OF INDUSTRY
Plant your flag on top, too!

This year we've got to make 2=3!

This year we've got to make 2=3! We've got to lend Uncle Sam in 2 chunks almost as much as we lent last year in 3. Which means that, in the approaching 7th War Loan, each of us is expected to buy a BIGGER share of extra bonds.

The 27 million smart Americans on the Payroll Savings Plan are getting a headstart! Starting right now they are boosting their allotments for April, May and June—so that they can buy *more* bonds, and spread their buying over *more* pay checks.

Our Marines went over-the-top at Iwo Jima in the greatest, and hardest, battle in the Corps' history. Now it's *your* turn! Your quota in the 7th is needed to help finish this war, sidetrack inflation, build prosperity. So, captains of industry, plant your flag on top—like the Marines at Iwo Jima!

CAPTAINS of INDUSTRY—here's your *Check List* for a successful plant drive:

- ★ Get your copy of the "7th War Loan Company Quotas" from your local War Finance Chairman. Study it!
- ★ Determine *your* quota in E Bonds — the backbone of every War Loan.
- ★ Arrange for plant-wide showings of "Mr. & Mrs. America"—the new Treasury film.
- ★ Distribute "How to Get There"—a new War Finance Division booklet explaining the benefits of War Bonds.
- ★ Circulate envelopes for keeping bonds safe.
- ★ Display 7th War Loan posters at strategic points.
- ★ And—see that a bench-to-bench, office-to-office 7th War Loan canvass is made.

The Treasury Department acknowledges with appreciation the publication of this message by

THE MAGAZINE of WALL STREET
and BUSINESS ANALYST

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